

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



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Professional Notes.

THE Council of the Society of Incorporated Accountants and Auditors have unanimously re-elected Mr. Thomas Keens and Mr. Henry Morgan to the respective offices of President and Vice-President for the ensuing year. The Council by their action have accurately interpreted the confidence of the members in Mr. Keens and Mr. Morgan, who have assiduously devoted themselves to the duties of their respective offices during the past twelve months.

Some notable changes have taken place in the higher offices of the Civil Service owing to the retirement of Sir H. Llewellyn Smith, G.C.B., and

the nomination of Sir George L. Barstow, K.C.B., to be a director of the Anglo-Persian Oil Company. Sir Otto Niemeyer, K.C.B., Controller of Finance in the Treasury, will fill an important post in the Bank of England and Sir Richard V. N. Hopkins, K.C.B., Chairman of the Board of Inland Revenue becomes Chairman of Finance and Supply Services in the Treasury. Other appointments are Sir Horace Hamilton, K.C.B., Chairman of the Board of Customs and Excise, who becomes Permanent Secretary to the Board of Trade, and Sir Sydney Chapman, K.C.B., who now vacates that office, becomes Chief Economic Adviser to H.M. Government. Sir Francis Floud, K.C.B., Permanent Secretary of the Ministry of Agriculture, is the new Chairman of the Board of Customs and Excise, and Sir Charles J. Howell Thomas, C.M.G., succeeds Sir Francis at the Ministry of Agriculture and Fisheries, while Sir Ernest A. Gowers, K.B.E., C.B., of the Mines Department, becomes Chairman of the Board of Inland Revenue.

In these days when Commerce and Industry and the State Departments are so constantly in touch, the heads of the Civil Service become well known to the professions, and especially to our own. Sir Richard Hopkins at the Inland Revenue has been successful in making closer the meshes of the Exchequer net so as not to allow taxable persons to slip through it. Sir Sydney Chapman has been held in high regard by many Incorporated Accountants since the days when he was Professor Chapman at Owen's College and subsequently Dean of the Faculty of Commerce in the University of Manchester. Sir Otto Niemeyer, at the Treasury, and Sir Francis Floud, at the Ministry of Agriculture, are esteemed by those who have had business with them, and, taking the appointments as a whole, the country can be congratulated on having in their service such a number of able men whose new appointments will meet with general approval.

It is recorded that 2,000 years ago the slothful man said "There is a lion in the way." An articulated clerk to an Incorporated Accountant, of 18 years of age, has shown himself of a different mould to the slothful man. Mounted on a motor cycle on his way to the office in Kenya Colony, he encountered a troop of lions. Hurriedly returning for a rifle he went back and shot no less than four of them. This episode is vouched for by Mr. F. Hornby, F.S.A.A., to whom the clerk is articulated. We only wish that Mr. Hornby had given us his name, as the deed is worthy of record in a somewhat prosaic age.

We publish this month the text of the Finance Bill in so far as it refers to income tax and super tax, and also a summary by a legal contributor of the main provisions of the Bill. The object of the summary is to make the Bill more easily understood because many of the amendments of the law which it contains are amendments by reference, the effect of which can only be ascertained by going back to the earlier enactments.

Clause 19, which relates to income settled under irrevocable and voluntary dispositions, appears to be aimed, partly at least, at the practice which has recently developed of endowing charities with an annual payment extending for a period of more than six years, and thus escaping income tax upon the amount. It will be observed that there is substituted for the word "person" in the 1922 Act, the words "an individual for his own use" or "a named individual." "Person" includes a company or association, but "individual" presumably does not. The new proposals will no doubt meet with some opposition, and it will be interesting to watch the result.

The clause relating to the exemption from tax of profits of trades carried on by charities is an outcome of the *Brighton College* case. Hitherto the provision has been that profits of this character were exempt only if the trade was carried on by the charity and the work in connection therewith was mainly carried on by beneficiaries of the charity, and the profits applied solely to the purposes of the charity. This is now modified so that if the profits are applied solely to the purposes of the charity, exemption will be granted if the trade is exercised in carrying out a primary purpose of the charity. The widening of the proviso will no doubt cover a large number of cases.

Some little time ago in the case of the *Lang Propeller Company* it was held that the Crown was not entitled to a preference over other creditors in a winding up in respect of tax deducted by the company on payment of interest not payable out of profits. Clauses 23 and 24 will now make the claim of the Crown preferential in such cases, as it will come under the heading of an "assessed tax."

An important amendment relating to super tax is contained in Clause 29, but will not come into operation until the year 1928/29. It was provided by the Finance Act of 1922 that undistributed income of private companies should in certain cases be liable to super tax in the same way as if it had been paid away in dividend. This provision has now been extended to apply to "any company within the

meaning of the Companies (Consolidated) Act, 1920, which is under the control of not more than five persons." It may therefore apply in some cases to a public company as well as a private company, as the test of control is whether the majority of the voting power or shares is in the hands of those five persons, or the relatives or nominees of those persons, or is by any other means whatever in their hands.

It will be remembered that the Chancellor of the Exchequer promised to introduce legislation for the purpose of preventing the avoidance of super tax by selling shares immediately before the dividend date and purchasing them again immediately after. The course he has adopted is to give power to the Special Commissioners after this year to require any individual to furnish a statement giving particulars as to any assets in which he has had a beneficial interest during the period under review, and on which he has not received the normal income, and if it appears that by sales, purchases or other dealings the individual has avoided more than 5 per cent. of the amount of super tax which would have been payable if the income had accrued from day to day, he shall be deemed to have received on the date of sale or transfer an amount equal to the accrued income up to that date, which income shall be treated as part of his total income. Failure to supply the required particulars incurs a penalty of £50 a day, and gives the Special Commissioners power to make an estimate of the income.

Part III of the Bill, which does not take effect until after April 5th, 1928, deals mainly with two matters. The first is the substitution for the present super tax of a surtax or additional income tax payable on the same income as that upon which income tax is assessable. The object is as far as possible to make a single return meet the requirements of both the income tax and the surtax and thus dispense with the separate super tax return which has hitherto been required. In his budget speech the Chancellor of the Exchequer said that the new method would not affect either the basis or rate of assessment, but in the Finance Bill no minimum of £2,000 is mentioned, Clause 35 merely stating that the surtax is to apply where "the total income from all sources exceeds a stated amount." The Government is thus not in any way committed to adhere to the present super tax exemption limit of £2,000.

The other matter dealt with in Part III of the Bill is an important one, namely, the transfer of the basis of assessment under Schedule E from "the year of assessment" as at present, to "the year

preceding the year of assessment." We have never understood why this was not done last year when the basis of assessment of trading profits under Schedule D was altered from a three years' average to the profits of the preceding year. The effect of endeavouring to assess salaries on the actual amount received in the year of assessment had the effect in the great majority of cases of requiring a provisional Return to be made with a supplementary Return later on when the actual salary and emoluments for the year were definitely known.

An important decision was given last month in the case of *Dale (Inspector of Taxes) v. Mitalfe*, in which it was decided that the words of sect. 25 of the Income Tax Act, 1918, which gives relief in cases where money has been accumulating for the benefit of any person contingently upon his attaining a given age or marrying, were applicable notwithstanding that the accumulated income was added to the corpus of the estate, and the beneficiary received only the interest upon it. The section in question provides, in effect, that:

Where in pursuance of the provisions of any will or settlement any income arising from any fund is accumulated for the benefit of any person contingently on attaining some specified age or marrying, and the aggregate amount in any year of assessment of that income and the income from all other sources is of such an amount only as would entitle the individual either to total exemption or relief from tax, that person shall, on making a claim within three years after the end of the year of assessment in which the contingency happens, be entitled to a recovery of tax.

The claim of the Crown to refuse repayment of tax upon the beneficiary attaining his majority was based on the fact that the accumulations of income were added to the capital of the trust fund and never passed to the beneficiary, but his Lordship said that Parliament had used very wide words in the expression, "for the benefit of any person," and he did not see his way to cut down the meaning of those words in the manner suggested by the Crown. He accordingly decided that the tax on the accumulated income was recoverable.

In the King's Bench Division a question arose before Mr. Justice Rowlatt as to the liability of a director of a company for income tax on a "free of tax" gift. The exemption was claimed on the ground that a gift was not a profit of his trade, business or profession. Unfortunately for the director the so-called gift was described as having been given in recognition of the director's services,

and his Lordship had no difficulty in finding that it was assessable. It is useful to contrast this with the cricketer's "benefit" case (*Seymour v. Reed*) in which the House of Lords, reversing the decision of the Court of Appeal, decided the other day that the proceeds of a benefit match was a personal gift and not income from employment. The Lord Chancellor said the terms of the cricketer's employment did not entitle him to a benefit. The purpose of the benefit was not to encourage the cricketer to further exertions but to express the gratitude of his employers and the cricket-loving public for what he had already done and their appreciation of his personal qualities. It was a testimonial and not a perquisite.

The Society's 42nd Annual Meeting.

THE proceedings at the 42nd Annual Meeting of the Society of Incorporated Accountants and Auditors are fully reported in this issue. The Report of the Council shows the continued progress and prosperity of the Society, although in the number of members elected during 1926 there is a decrease of 47 on the admissions for the previous year. On the other hand, 100 Associates were elected Fellows, against 56 in 1925. As the number of examination candidates increased from 1,518 in 1925 to 1,561 in 1926, it is apparent that there is no decrease in the popularity of the Society in the profession. For the reason of the falling off in the admission to membership, one must turn to the speech of the President (Mr. Thomas Keens) in which he pointed out that only 43 per cent. of the candidates satisfied the Examiners in the Intermediate and Final examinations in November last. We have not before us as we write the equivalent percentages for the May examinations, but there can be no doubt that the standard of examination is very high, and that the system of marking, as the President said, is extraordinarily severe. The membership on December 31st last totalled 4,633. Other matters in the report were referred to by the President, or have already been dealt with in our columns. The finances of the Society show continued expansion, and the building fund now stands at £15,000, and in addition there is a surplus on revenue account of £15,093.

In the course of his speech Mr. Keens pointed out that the work of the Society had increased enormously in recent years, and it had been found impossible for the Secretary (Mr. Garrett) both to deal with the executive business at the centre and

to continue to make the necessary number of visits to various Branches and District Societies. In order to meet the situation, the Council had created a new office—that of Parliamentary Secretary—and had appointed thereto Mr. J. R. W. Alexander, M.A., LL.B., Barrister-at-Law.

In drawing attention to the question of admission to the Society's examinations, Mr. Keens reiterated an argument which he has developed at the meetings of the District Societies—that accountancy is not a closed profession, because while the number of articulated clerks to members of the Society showed continuous increase, admission to the examinations was permitted of approved candidates of six and nine years service in accountancy who did not possess either the means or the opportunity of serving under articles. The President made it clear that the Society keeps open the way into the profession for any young man or woman having the required standard of education and professional training who can pass the exacting tests which the Society imposes. Mr. Keens has rendered a service both to the Society and to the public in combating untrue statements which are industriously circulated that the profession is a closed one, and that persons who are not blessed either with means or influence cannot find their way into it. After referring to the valuable work of the District Societies of Incorporated Accountants, Mr. Keens advocated an extension of joint meetings with other professional bodies which widened the outlook of students, brought together larger audiences and encouraged greater interest in the lectures and naturally attracted visits from persons of authority, who were able to impart knowledge of a high order.

The International Congress of Accountants at Amsterdam was referred to by Mr. Keens as one of the features of the year. In the President's opinion an outstanding fact emerged, that as compared with any other country Great Britain and Ireland stood apart as having elevated accountancy into a profession with high standards of qualification and rigid discipline. While other countries were working in the same direction, as far as could be ascertained, Holland came second, the United States and Germany followed, and the remainder were a long way after. In acknowledging the services of the ex-President, Mr. George S. Pitt, who undertook a recent journey to South Africa, Mr. Keens said that a detailed statement of affairs as to the position in South Africa was impossible at that meeting, but once again he set forth the position of the British Societies in relation to the titles of "Chartered Accountant" and "Incorporated Accountant," which were now sought to be used in South Africa by persons who were neither members of the Chartered

bodies nor of the Incorporated Society. The position of these titles as specific designations of the members of certain bodies, and not as descriptive terms of general application, has already been fully dealt with in these columns, and it is a misfortune which will have its repercussion in years to come that accountants in the Dominions who have made a status of their own are not content with the position they have acquired but, for the purpose of obtaining public patronage, seek to appropriate the fruits of the labours of the British bodies of accountants extending from the year 1854 in Scotland and 1880 in England and Wales.

In regard to the Companies Bill, Mr. Keens paid a tribute to the members of this and other Government Committees whose labours he said were not sufficiently appreciated by the public. He approved generally of the clauses relating to the issue of profit and loss accounts and balance-sheets, to the form of the balance-sheet and to the balance-sheet of a holding company, and also in regard to the making void of indemnity clauses in Articles of Association—which relieved auditors from some of their legal liabilities—he made no complaint. He truly said that "we do not seek to shirk the legal and moral responsibility which the law and public opinion enjoin." He suggested, however, that some protection was required by the auditor against removal from office, and he regarded the existing position as admittedly unsatisfactory, and although, he said, there would be great difficulty in affording the auditor further legislative protection, he ought not to suffer through the proper discharge of his duties. Clause 61 of the Companies Bill now before Parliament, which proposes amendment of the law as to voluntary winding up where the directors cannot declare that all debts will be paid in full within six months, came in for criticism from Mr. Keens. He pointed out that in such cases it was proposed that the creditors meeting should be held on the same day as, or the day after, the company meeting, so that the time to prepare a proper statement of affairs, insufficient in the past, now became quite inadequate. Moreover, in his opinion, the procedure suggested placed a premium upon touting. In practice he knew how objectionable that kind of thing might be when undertaken in the interests of particular individuals rather than those of the creditors and shareholders, and he observed that the liquidator nominated by the creditors could exclude the shareholders' nominee, and various other powers would become vested in the creditors. Mr. Keens said that the Council of the Society was considering this very important question, and with the aid of their advisors they hoped to take some action in the matter.

A very interesting part of the President's speech was devoted to a consideration of the modern trend of industry and commerce, which he frankly confessed filled him with uneasiness. In this connection he referred to the recent amalgamations and mergers which have produced, in his opinion, the nearest approach yet reached to what is known as the American Trust. He maintained that there was a stage in every industry at which the size of the unit of economic production represented maximum efficiency. When this was reached and the concern grew, other units were merely added, sometimes leading to an increase in cost of production. In his opinion all mergers and amalgamations were not necessarily an advantage, either from an economic point of view or from considerations of public policy. In maintaining that the most important factor in commercial and industrial organisation was personnel, he said that the trust movement in America in many forms had often demonstrated the dependence of giant concerns upon the exceptional genius of the man, or a few men, who had built up the undertakings. Their successors were not always men of the same exceptional capacity; hence, in spite of all obstacles, they saw the rise of the competitive smaller firms, the heads of which were impelled by the driving force of individual enterprise. In a comparatively short time, when the competition of the new business made itself felt, the inevitable struggle began and generally ended in absorption within the trust or a knock-out blow.

Dealing with the statement that amalgamations must be to the national advantage because the movement commanded the approval of the leaders of industry and of the employed, Mr. Keens uttered the warning that one phase of political thought in this country had always approved of amalgamations of capital as calculated to facilitate the transference of industry to the State—in other words, to pave the way for nationalisation. "What is this to accountancy?" Mr. Keens asked. "Surely," he said, "it is a matter of the greatest concern to our profession. The movement has only to extend for a few years, and the work now shared among hundreds of members of the profession will pass to a few big international firms who themselves in turn may become a branch of the Civil Service." In emphasising the existing duties of the accountancy profession, Mr. Keens said it had a peculiar and important service to render to small business by advice, by counsel and by suggestion based on a wide range of knowledge and experience. In concluding a very instructive address, Mr. Keens dealt with the position and future of the Incorporated Accountant, and expressed the view that the field of accountancy would continue to extend, and the problems of the

future would require to be dealt with by men of character and capacity, whose acknowledged authority and whose independent judgment would be accepted by all parties.

The discussion following the President's address mainly turned upon the provisions of the Companies Bill, and after the motion for the adoption of the report and accounts had been unanimously adopted and elections to the Council dealt with, a very cordial vote of thanks was passed to Mr. Keens for presiding over the meeting and for his services to the Society.

Mortgages of Shares in a Company.

MORTGAGES of fully paid up shares are usually effected by a transfer of shares to the mortgagee duly registered, accompanied by a deed of defeasance, i.e., a collateral deed accompanying another, providing that upon the performance of certain matters an interest created by such other deed shall be defeated and determined. If the shares are not fully paid up it is imprudent for the mortgagee to take a complete registered transfer to himself, as he will thereby incur the liabilities of a shareholder. Where Articles provide that shares are not to be transferred until all arrears of calls are paid, apparently a mortgagee by transfer cannot be recognised as transferee until payment of such arrears, but if the company recognise him as a transferee they cannot call upon him to pay the arrears (*Watson v. Eales*; 1856, 23 Beav., 294).

Where the shares are not fully paid up the mortgagee should require the certificates to be delivered to him, and also take a transfer to himself, executed only by the mortgagor, which the mortgagee can at any time complete by executing it himself and registering it.

A mortgagee may become liable as a contributory when shares are transferred to him as security for a debt, but an equitable mortgagee in whose name the shares have not been registered is not a contributory. If shares which have been deposited with creditors are exchanged by them for shares in their own names, they are liable as contributories though the company is aware that they are only holding the shares as security.

A valid security may be made by a deposit of the certificates, and such security will operate as a mortgage by deposit of documents of title and not as a pledge of the shares.

A transfer of shares in a limited company must be in the form prescribed by the Articles, and need not be under seal unless specifically required by the

Articles. The Companies Clauses (Consolidation) Act, 1845, sect. 14, which has reference to statutory companies only, requires transfers to be under seal.

Where shares are not fully paid up, it is a usual and convenient practice for the mortgagee to take either a transfer in blank or a mere deposit of the share certificates, together with a power of attorney to execute a transfer in the name of the mortgagor. In this way the mortgagee's name would not appear on the register, and he would be able to transfer the shares to a purchaser direct. Thus the mortgagor remains the registered holder of the shares until the mortgagee exercises his power of sale. There are, however, many objections to this course, *e.g.*, Articles may require transfers to be under seal; the directors may be able under the Articles to refuse registration; before the transfer is registered there may be a claim to the shares under a prior title; the mortgagee may find he cannot sell the shares without discharging the lien; there may be a forfeiture for non-payment of calls.

A good security may be given by means of an equitable mortgage, independent of whether the Articles of the company require transfers by deed. Notice to the company is not necessary to complete the mortgagee's title and to preserve priority over subsequent equitable titles. The principle as to the effect of notice applied in determining the priority of equitable rights is inapplicable to shares which are only transferable by entry in the register of members.

In *Dearle v. Hall* (1828, 3 Russ., 1) a person who was entitled to a trust fund assigned it for value to A, but no notice was given to the trustees. He afterwards sold it to B, who was informed by the trustees that there was no prior encumbrance, and B gave the trustees notice. It was held that the assignment to B, though posterior in date, was to be preferred to the assignment to A.

In *Société Générale de Paris v. Walker* (1885, 11 A.C., 20) the holder of shares in a company deposited with S certificates of the shares and a blank transfer as security for a debt. Afterwards he fraudulently executed a blank transfer in respect of the shares, and deposited it with the appellants as security for a debt. The House of Lords held that the transfer to the appellants not having been re-delivered (*i.e.*, re-executed) by the transferor after the blanks were filled up was not his deed, and that the appellants had no legal title to the shares.

As between two persons claiming title to shares registered in the name of a third person in a company formed under the Companies Act, 1862 (now the Companies (Consolidation) Act, 1908), with Articles regulating the transfer of its shares, the title prior in date prevails, unless the claimant second in point of time can show that as between himself

and the company he has before the receipt by the company of notice of prior title, acquired the full status of a shareholder (*Moore v. North-Western Bank*; 1891, 2 Ch., 599).

By sect. 27 of the Companies Act, 1908, "no notice of any trust, expressed, implied or constructive, shall be entered on the register, or be receivable by the Registrar, in the case of companies registered in England or Ireland." In *Bradford Banking Company v. Briggs* (1886, 12 A.C., 29) the Articles provided that the company should have "a first and permanent lien and charge, available at law and in equity, upon every share for all debts due from the holder thereof." A shareholder deposited his share certificates with a bank as security for the balance due and to become due on his current account, and the bank gave the company notice of the deposit. The certificates stated that the shares were held subject to the Articles. It was held that the company could not in respect of moneys which became due from the shareholder to the company after notice of the deposit with the bank claim priority over advances by the bank made after such notice; that the notice to the company of the deposit with the bank was not a notice of a trust (by sect. 27); and that the bank by giving notice of the deposit did not seek to affect the company with notice of a trust, but only to affect the company in their capacity as traders with notice of the interest of the bank.

In *Carter v. Wake* (1877, 4 Ch.D., 605) it was held that the doctrine that an equitable mortgagee by deposit of title deeds is entitled to foreclosure, does not extend to a pledgee of personal chattels. In *Harold v. Plenty* (1901, 2 Ch., 314) it was held that where a certificate of shares is deposited as security for a debt and interest without a transfer or memorandum, the remedy of the lender against the shares is an order for transfer and foreclosure.

The registered holder of shares in a company, whose Articles did not require that a transfer of shares should be made by deed, deposited the certificates of his shares, accompanied by a transfer executed by himself, but with the name of the transferee and the date of execution left in blank, with a person who advanced him money, as security for the loan. No time was fixed for the repayment of the loan, and nothing was said as to the object of the transfer. It was held that the deposit had no authority, without a previous demand for repayment of the loan, to sell or sub-mortgage the shares and fill in the name of the purchaser or sub-mortgagee as transferee (*France v. Clark*; 1883, 22 Ch.D., 880).

The object of the Joint Stock Companies Act, 1856, sect. 19 (now sect. 27 of the Act of 1908), was that the company itself should not be bound by any trust, and that no notice should have any effect as

against the company, but there is nothing in the Act which precludes an equitable mortgage of shares in a company, or renders an equitable mortgagee incapable of perfecting his title as against the mortgagor and his assignees in bankruptcy, by giving notice of the mortgage to the company (*ex parte Stewart*; 1865, 4 De G. J. & S., 543).

A mortgagee of shares has an implied power of sale after the time fixed for payment, and a deposit of share certificates by way of security is entitled to foreclosure. A person who takes a deposit of share certificates and a blank transfer by way of security is in the position of an equitable mortgagee and not of a pledgee. He can sell the shares after reasonable notice requiring payment, and he can sell the whole of the shares deposited, and not merely sufficient to liquidate his liability. In *Stubbs v. Slater* (1910, 1 Ch., 632) it was held that in the case of a mortgage of shares by deposit of the share certificates together with a blank transfer, the fact that the mortgagee in giving notice requiring payment makes a mistake as to the amount due on the mortgage and demands too much is not a ground for invalidating the exercise of his implied power of sale. A mortgagee of shares is not bound to watch the market so as to sell them at the highest market price; and he does not, by failing to sell at the most favourable opportunity, lose his right to prove against the estate of the mortgagor (*in re McCurdo*; 1902, 2 Ch., 684).

INCORPORATED ACCOUNTANTS IN SOUTH AMERICA.

At the instance of Mr. J. Monteith Drysdale, M.A., C.A., F.S.A.A., a meeting of Incorporated Accountants resident in Buenos Aires was held on April 5th last, when there were present:—Mr. T. C. E. Fowler, F.S.A.A.; Mr. J. Shennan, F.S.A.A.; Mr. David Auld, A.S.A.A.; Mr. W. J. Conibear, A.S.A.A.; Mr. Cecil A. Ellis, A.S.A.A.; Mr. T. Grundy, A.S.A.A.; Mr. H. S. Sly, A.S.A.A.; and Mr. S. Summers, A.S.A.A.; Mr. Limpenny, A.S.A.A., was represented by Mr. McDonogh, and apologies for non-attendance were received from Mr. R. W. Roberts, F.S.A.A.; Mr. A. Meek, A.S.A.A., and Mr. W. J. Yule, A.S.A.A.

Mr. Monteith Drysdale addressed the members from the chair with a view to forming an organisation for Incorporated Accountants in South America under the auspices of the Council in London. He stated he had been in correspondence with the Council, who were sympathetic to the proposals which he had made. It was resolved that an Advisory Committee be constituted and Mr. Monteith Drysdale be asked to be President. The following were also elected Members of the Committee:—Mr. W. J. Conibear, Mr. C. A. Ellis, Mr. H. S. Sly, and Mr. S. Summers.

It was decided that a report of the meeting be sent to the Council in London.

At the close of the meeting a vote of thanks was accorded to Mr. J. Monteith Drysdale for his conduct in the chair, and to Messrs. Leng, Roberts & Co. for the use of their committee room.

SUMMARY OF FINANCE BILL, 1927.

By a Legal Contributor.

The changes proposed by the Finance Bill, 1927, are to come into operation as from April 6th, 1927, unless some other date is expressly stated. The effect is that the changes collected under the first head given below will come into operation for 1927-28; those under the second head will apply to super tax for 1928-29; and the new proposals under the third and fourth heads will not, unless expressly stated, come into operation until April 6th, 1928, and then will not affect taxes granted by Parliament before that date.

The main provisions may be classed under four heads:—

- 1.—Minor Changes.
- 2.—Super tax.
- 3.—Surtax.
- 4.—Schedule E.

1.—Minor Changes.

There are ten of these changes which seem to need some comment.

1.—By Clause 18 income tax under Schedule A (property tax) is made payable in one sum on January 1st, 1928, and subsequent years. The effect is that one-and-a-half years' property tax will be paid in 1927-1928, viz, the half year's instalment due on July 1st, 1927, and a whole year's payment on January 1st, 1928.

2.—By Clause 19 an amendment is made in the Finance Act, 1922, sect. 20, which renders certain income assessable to super tax although the taxpayer has parted with such income. As amended, sub-sect. (b) of sect. 20 will render a donor assessable to super tax in respect of any income which, under any disposition made by him (other than for valuable and sufficient consideration), is payable to or for the benefit of any other person unless such income is either (1) made so payable to an individual for his own use for a period which may exceed six years, or is applicable for the benefit of a named individual for such a period; or (2) is derived from capital of which the donor by the same disposition has wholly divested himself for the benefit of the beneficiary. The provision as to such capital is new.

3.—The Finance Act, 1926, while abolishing the three years' average, made provision whereby a taxpayer in certain events could still elect to be assessed upon an average in respect of his income for 1927/28 and 1928/29. By Clause 20 of the Bill a taxpayer, who has elected to be so assessed, is to be prevented from claiming the relief given by sect. 33 of the 1926 Act in respect of losses incurred in any year earlier than 1928/29. The reason is that such losses would come into computation because of his election to be assessed on an average, and it is not intended that he should, in effect, have the relief twice over.

4.—By Clause 21 of the Bill, sect. 29 of the 1926 Act is amended so that sect. 29 (1) will apply to all trades, &c., set up within the two years immediately preceding the year of charge and to all income which first becomes chargeable under Case V within those two years.

5.—Previously a charity obtained exemption from income tax on the profits of a trade carried on by it only if the work was carried on mainly by beneficiaries of the charity. By Clause 22 of the Bill the exemption will also apply where the trade itself is part of the carrying out of a primary object of the charity.

6.—By Clause 24, it is proposed to amend Rule 21 (2) of the General Rules.

As the rule now stands, where a person pays to another any interest, annuity or other annual payment and this is not payable, or not wholly payable, out of profits already taxed, he has been bound to deduct the income tax and render an account to the Revenue of such part of the tax so deducted as is not payable out of profits already taxed. This amount becomes a debt due to the Crown and is recoverable as such. The case of *re Lang Propellers* ((1926) Ch. 585, has shown that there is a serious risk of loss to the Revenue.

In future the person making such a payment must make a return, not of the amount of duty deducted, but of the amount paid (*i.e.* showing the amount actually paid and the amount deducted for tax). He will be liable to be assessed to income tax upon that gross amount in accordance with the ordinary procedure of assessment and appeal. The Special Commissioners are entrusted with these assessments, and, in the absence of a return, may assess upon an estimate. A penalty of £100 is imposed for failure to make the return. This change will also affect all such payments made before the Act unless the tax deducted has actually been paid to the Crown.

7.—By Clause 23 of the Bill it is proposed to extend Rule 21 of the General Rules so that it will apply to payments of royalties in respect of copyrights (except cinematograph copyrights) made to persons whose usual place of abode is out of the United Kingdom.

8.—The rule which has allowed a set off of losses against profits has been Rule 13 of Cases I and II. It is worded as applying to "trades, the profits of which are chargeable under the rules of this schedule," not, as one would expect, "chargeable under Cases I and II of this schedule." It may therefore be that the rule has a wider application than has been thought, and the amendment in Clause 25 of the Bill may, perhaps, not be an additional relief, but a curtailment. That clause will enable anyone who (alone or in partnership) has made a loss in any transaction (which, if profitable, would have been taxed under Case VI) to set that loss against the profits of any other transaction chargeable under the same Case. Any loss, which cannot be thus set off in the year it is incurred, may be carried forward to be set off against similar profits in the six succeeding tax years. This provision applies to any loss made in the year ending April 5th, 1927, or any succeeding year.

9.—Clause 26 of the Bill is a long one, intended to secure that a person who is assessable in respect of a trade set up after April 6th, 1923, may obtain the same relief, in respect of losses incurred before 1926/27, that he would have obtained in the years 1927/28 and 1928/29, if the three years' average had not been abolished. But if he claims such relief under this section he will not be able to get it in any other way.

10.—The Finance Act, 1926, sect. 33, provided that where a person (alone or in partnership) has sustained a loss in any trade, and relief in respect of that loss has not been wholly given under any provision of the Income Tax Act (*e.g.*, under sect. 34 of the 1918 Act, or Rule 13 of Cases I and II) he can carry forward that loss to set against profits of the six succeeding years. In contrast to sect. 34 of the 1918 Act and Rule 13 of Cases I and II, the 1926 Act expressly provides that the loss is to be computed in the same way that profits are computed. Now Clause 27 of the Bill will extend the relief to the case where, after the loss has been incurred (whether before or after the passing of the Bill), the business has been sold to a company in consideration *solely* of shares of that company. In such a case the person who has sustained the loss may set it off against the income he derives from the company to the same extent as the offset would have been available if there had been no sale. It is the income derived from the company that is available for this purpose, and presumably therefore fees and salaries will be included as well as dividends.

II.—Super Tax.

There are five clauses of the Bill which it is proposed shall come into operation for the year 1928-29.

(1) SUPER TAX ON UNDISTRIBUTED PROFITS OF COMPANIES.

By Clause 29 (2) *all* companies within the Companies Act, 1908, which are under the control of five persons, are to be brought within sect. 21 of the Finance Act, 1922. Under the existing law, companies formed before April 5th, 1914, were exempt from that special liability. Now, if the other conditions are fulfilled, they will come within the section.

In considering whether a company has distributed a reasonable part of its total income, the Commissioners have hitherto been bound to have regard to any requirements necessary or advisable for the maintenance and development of the business. Obviously the obligation of repaying, or otherwise meeting, debentures and loans is included in that expression. It is now proposed, by Clause 29 (1), to exclude from consideration for this purpose any sum expended or intended to be expended

- (a) In paying for the company's business or property;
- (b) In redeeming or repaying share or loan capital or debt (including any premium) issued or incurred for the purpose of paying for that business or property or for the purpose of raising money for such payments;
- (c) In meeting any obligations of the company in respect of its acquisition of its business or property.

Such sum will be treated as money available for distribution for the purpose of determining whether the company has distributed a reasonable part of its income. The net result is to place in a very awkward position companies, formed with a small capital, which have been financed by debentures or loans repayable at fixed periods. It is obviously intended to force them to convert such obligations into permanent share capital.

It is further proposed by Clause 29 (3) that, where a company goes into liquidation, its income from the end of its last financial year (or any other period for which the books

are made up) to the date of the order or resolution shall (for the purposes of sect. 21 of the 1922 Act) be treated as income available for distribution. As regards that income and the income for the previous year (or period) the Commissioners are to determine whether a reasonable part of the income has been distributed without any regard to the other condition which normally applies, viz, whether it has been done within a reasonable time.

In the case of a liquidation, notices, &c., under the 1922 Act may be served on the liquidator, who is to be under all the obligations which that Act places on the company, including the payment of any super tax imposed.

Another innovation appears in Clause 30 of the Bill. Where a company holds shares in another company, which is within sect. 21 of the 1922 Act, provision is made whereby the incidence of the super tax is passed on until it falls upon natural individuals. Where all the companies holding shares of one another are within the 1922 Act, this process may go on from company to company until, at last, the super tax falls upon some shareholder who is a natural person.

(2) TAX AVOIDANCE.

Clause 31 of the Bill is accompanied by a marginal note which reads "Provisions for preventing avoidance of super tax by sales *cum* dividend, &c." This note does not govern the meaning of the section, but it indicates the practice mainly aimed at. The actual form of the section is much wider in terms.

The Special Commissioners may require any individual (under a penalty of £50 and a daily penalty of £50 for every day's default *after* judgment) to make a return for a period to be stated in the notice. This return is to show his assets which, during the period, yielded him either no income or an amount which is less than he would have received if the income accrued evenly from day to day, and were apportioned to the period in question. Then the Commissioners have to decide whether, in all the circumstances of the case, the individual in question has avoided or will avoid more than 5 per cent. of the super tax which he would have paid if the income had accrued evenly from day to day and been apportioned to that period. If they decide that he has, then he is to be assessed to super tax upon the larger amount and not on his actual income. The circumstances specifically mentioned in the section are: those connected with sales, purchases, dealings, contracts, options, arrangements and other transactions relating to the assets in question. It would seem clear that a person who holds steadily shares, which yield large dividends at uncertain and varying intervals, has nothing to fear from this proposal.

Indeed, he will probably seek to take advantage of the converse proposal in Clause 32. Under this clause a super tax payer can show that the income, taxed by deduction, which he has received in any year is more than it would have been if that income accrued evenly from day to day, and, consequently, is liable to pay 5 per cent. or more super tax above that which he would do if it accrued in that way, then he may apply for relief by adjusting his income. The exact relief is

not stated, but presumably the actual yield will be apportioned over the period for which he has held the source from which the income is derived, so that he will be treated as if his income had come to him at a uniform rate and his super tax will be assessed accordingly.

Provision is made for appeals to be entered and cases stated in respect of any decision of the Special Commissioners under these Clauses 31 and 32.

III.—Surtax and Standard Rate.

The new provisions will come into force as to income tax payable in 1928/29 and as to surtax payable in 1929/30. In the latter year super tax will no longer be charged.

A first glance at the proposals shows that the term "super tax" is replaced by the new term "surtax," but that is not quite accurate. The familiar expression "income tax" will in future often be used with the addition of the words "at the standard rate."

In 1928/29 income tax will be charged at a standard rate—the equivalent of the present income tax which is charged at a single rate. The income tax so charged will be treated as an instalment of income tax, and will be payable as at present. The taxpayer will, if his total income exceeds a stated amount, be liable to pay a further instalment of income tax which will be deferred until the following year and be called "surtax." Consequently, instead of paying income tax and an additional income tax called "super tax," which is due in the year after the income tax, he will pay income tax part of which is assessed at the standard rate and is payable in the same way as the present income tax, and the other part of which is assessed according to a scale in the way super tax is at present paid and is due at the same time as the present super tax, but it will be called "surtax." "Total income" for the purposes of income tax will be ascertained in the same way as at present. All this is provided by Clause 35.

By Clause 36 any provision authorising the deduction of income tax is to be read as authorising such deduction at the standard rate. This will not apply to the case of a tenant deducting income tax when paying rent under Schedule A, No. VIII, Rule 1. His position will not be altered.

Income chargeable by way of deduction with tax at the standard rate of any year will be treated as income for that year when estimating the recipient's total income. Any deductions made to arrive at any person's total income, by reason of payments from which he can deduct income tax at the standard rate for any year, are to be allowed as deductions from that year. This will be so, even if such income or deductions accrue before or after that year.

A person who is assessed to tax upon profits out of which he pays any annual interest, annuity or other annual payment, or any royalty or like payment for the use of a patent, is to be assessed to tax, in respect of the amount which he has thus to pay out, only at the standard rate. In other words, where a person has to pay tax in the first instance but can recoup himself by deduction when making payments to the persons entitled, he will not have the amount of such payments taken into account for assessment of his surtax.

By Clause 37 the personal reliefs and allowances given by sects. 17 to 22 of the Finance Act, 1920, and by sect. 15 of the Finance Act, 1925, are to operate so that he will pay less income tax by an amount equal to tax at the standard rate on the deductions from income allowed him by those sections. Where relief is given for Dominion income tax an appropriate adjustment is to be made.

Sect. 18 of the Finance Act, 1920, is to be amended so that the relief to a taxpayer in respect of his wife's earned income is altered to five-sixths (instead of nine-tenths) of that income, but the total allowance of £45 remains.

The change appears to be this: Instead of taking the taxpayer's income and deducting from it the above mentioned allowances and then calculating tax on what is left, the operation will be to take that income and calculate the amount of tax upon it at the standard rate. Then calculate the amount of tax on the allowances at the same rate. By deducting the latter amount from the former, one arrives at the net amount of tax. The two systems seem to arrive at the same arithmetical result.

From this net amount of tax a further deduction is to be made. This is to be ascertained by deducting from the total income the amount of the allowances, &c. If the remainder is under £225, then this remainder is taken; if it is equal to or more than £225, then £225 is taken. A calculation is then made up of an amount equal to tax on this remainder (or £225) at half the standard rate, and the amount so calculated is deducted from the net amount of tax after the deduction for allowances has been made. In other words, the old allowance of the first taxable £225 at half rate is preserved. Other relief is brought into line.

By Clause 38 any claim, made under Clause 37 and objected to by the Inspector of Taxes, may be the subject of an appeal to the General or Special Commissioners, and a case may be stated. The Clause is not to affect claims by non-residents made under sect. 20 of the 1926 Act.

By Clause 39 provision is made for the assessment and collection of surtax. It is to be assessed by the Special Commissioners, and to be assessed and charged in one sum. It will become payable as a deferred instalment of income tax on January 1st next after the end of the tax year in respect of which it is payable. If the assessment is made after that date, then it becomes due on the day after the date of assessment.

Assessments for income tax at the standard rate which have become final and conclusive are to be final and conclusive for surtax purposes also. Allowances and adjustments on the ground of diminution or loss will only be allowed for surtax if they have already been allowed in respect of income tax at the standard rate. Relief in respect of Dominion income tax is not to be taken into account for surtax purposes.

The procedure as to assessments, appeals, cases stated, and collection and recovery of tax is applied to surtax, and a husband or wife may claim separate assessments. Generally the provisions as to super tax are to apply to surtax.

By Clause 40 any person may be required to make a return of all the sources of his income and of the amount derived from each source for the year preceding the year of assessment computed in accordance with the Income Tax Acts. In general, particular notices requiring returns will be given by the inspectors and not by the assessors, as now, and the return, &c., required will be delivered to the inspector.

By Clause 41 a person liable to surtax will be required to give notice of that fact to the Special Commissioners before September 30th after the income tax year in respect of which his liability to surtax arises. Returns may be called for by the Special Commissioners from any person, on his own behalf, or as representing any incapacitated, non-resident or deceased person. Failure to make such a return, or give the above mentioned notice, renders the defaulter liable to a £50 penalty, which becomes a daily penalty for every day of default after judgment. Where a person liable to surtax is guilty of the fraudulent practices mentioned in sect. 132 of the Income Tax Act, 1918, the Special Commissioners will be able to charge him with treble surtax, and any person who has assisted him will incur a penalty of £500.

IV.—Schedule E.

The Bill proposes by Clause 42 to alter the general rule (Rule 1) so that any person assessable under that rule shall be assessed on the amount of his salary, &c., for the year preceding the year of assessment. At present, the assessment is on the amount for the year of assessment. This will not affect persons receiving leave pay, or those who are not continually resident here but hold an office or employment which is occasionally or intermittently exercised here, or weekly wage earners employed by way of manual labour.

A person who has been assessed under Schedule E for 1927/28, and whose salary, &c., is less in 1928/29 than it was for 1927/28, may give notice to the Inspector by June 30th, 1929, requiring his assessment for 1928/29 to be reduced so as to agree with his salary, &c., for that year. Provision is made for the case of persons who are newly appointed or cease to hold offices or employments taxed under Schedule E. Relief in respect of error or mistake which is now available in respect of Schedule D will be extended to Schedule E.

Apart from the above, there are a number of minor amendments consequential upon the changes which have been described.

INCORPORATED ACCOUNTANTS' GOLFING SOCIETY.

By kind permission of the Committee of the Sandy Lodge Golfing Club, Middlesex, it has been arranged for the summer meeting of the Incorporated Accountants' Golfing Society to be held at this course on Thursday, June 16th, at 10 a.m. An 18-hole stroke competition under handicap will be held in the morning for a prize presented by Mr. Thomas Keens, the President of the Society of Incorporated Accountants and Auditors. A second prize will be provided by the Golfing Society.

The course is reached on the Metropolitan and Great Central Railways Joint Line from Baker Street or Marylebone to Sandy Lodge station. Incorporated Accountants who desire to take part in the meeting are requested to communicate with Mr. A. Thomas Keens not later than June 5th.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Thursday, May 19th, when there were present:—Mr. Thomas Keens (President), in the chair; Mr. Henry Morgan (Vice-President), Mr. William Bateson (Blackpool), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Richard Leyshon (Cardiff), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. Arthur E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. R. T. Warwick (London), Mr. F. Ogden Whiteley, O.B.E. (Bradford), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Sir Charles H. Wilson, LL.D., M.P. (Leeds), Mr. A. E. Woodington (London), Mr. A. A. Garrett, B.Sc., B.A., (Secretary), and Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. F. Walmsley, J.P. (Manchester), Sir James Martin (London), Mr. G. S. Pitt (London), and Mr. Richard Smith (Newcastle-on-Tyne).

At the commencement of the proceedings, Mr. C. Hewetson Nelson, Past President, welcomed Mr. Henry J. Burgess and Mr. E. T. Kerr, new members of the Council, and the President introduced Mr. J. R. W. Alexander, M.A., LL.B., Barrister-at-Law (Parliamentary Secretary).

DEATHS.

The Secretary reported the death of the following members:—Mr. Fred Brierley (Fellow), Oldham; Mr. Fred Fleetwood (Associate), Leeds; Mr. Robert Howarth (Associate), Southport; Mr. Alfred Edwin Sones (Associate), Ipswich.

COMPANIES BILL.

The Council took into consideration a report from the Parliamentary Committee in regard to certain clauses in the Companies Bill. A resolution was passed authorising the Parliamentary Committee to consult with the Society's Legal Advisers, and to take steps to introduce into Parliament any amendments which might be considered necessary.

CINEMATOGRAPH FILMS BILL.

Attention was called to clauses in this Bill providing for a number of returns to be sent to the Board of Trade. The Parliamentary Committee were authorised to take action as might be necessary in the interests of the Society.

SOCIETY'S MEMBERS IN SOUTH AMERICA.

A report was received from Mr. J. Monteith Drysdale, F.S.A.A., C.A., Buenos Aires, in regard to a meeting of the Society's members in South America. The report was referred to Committees for further consideration.

AUTUMNAL CONFERENCE 1927, MANCHESTER.

A report was received as to prospective arrangements for the Conference, which will be held in Manchester on Wednesday, Thursday, Friday and Saturday, September 28th, 29th, 30th and October 1st.

A number of new members were elected and other important business was transacted.

COUNCIL MEETING.

A meeting of the Council was held at Cordwainers Hall, Cannon Street, London, E.C., on Thursday, May 19th (after the Ordinary General Meeting), when there were present:—Mr. Thomas Keens (President), in the chair; Mr. Henry Morgan (Vice-President), Mr. William Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. E. T. Kerr (Birmingham), Mr. Richard Leyshon (Cardiff), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. Arthur E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. E. T. Warwick (London), Mr. F. Ogden Whiteley, O.B.E. (Bradford), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. A. A. Garrett, B.A., B.Sc. (Secretary), and Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary).

ELECTION OF PRESIDENT.

On the motion of Mr. C. Hewetson Nelson, seconded by Sir James Martin, it was resolved unanimously that Mr. Thomas Keens be re-elected President for the ensuing year.

ELECTION OF VICE-PRESIDENT.

On the motion of the President, seconded by Mr. G. S. Pitt, it was resolved unanimously that Mr. Henry Morgan be re-elected Vice-President for the ensuing year.

ELECTION OF COMMITTEES.

The following Committees were elected, the President and Vice-President being *ex officio* members of all Committees:—

Disciplinary Committee.—Mr. W. Claridge, Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. F. Walmsley, Mr. E. Whittaker, Sir Charles H. Wilson, and Mr. A. E. Woodington.

Finance and General Purposes Committee.—Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. Alan Standing, Mr. F. Walmsley, Mr. W. McIntosh Whyte, Sir Charles H. Wilson, and Mr. A. E. Woodington.

Examination and Membership Committee.—Mr. H. J. Burgess, Mr. W. Claridge, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. W. Holman, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. William Paynter, Mr. R. T. Warwick, Mr. F. Ogden Whiteley, Mr. W. McIntosh Whyte, and Mr. A. E. Woodington.

Parliamentary Committee.—Mr. W. Bateson, Mr. W. Claridge, Mr. Arthur Collins, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. E. Whittaker, and Sir Charles H. Wilson.

Articles and Bye-Laws Committee.—Mr. E. Cassleton Elliott, Mr. Alan Standing, Mr. Percy Toothill, Mr. F. Ogden Whiteley, Mr. E. Whittaker, and Mr. A. E. Woodington.

District Societies Committee.—Mr. H. J. Burgess, Mr. W. Claridge, Mr. W. Holman, Mr. E. T. Kerr, Mr. R. T. Warwick, and Sir Charles H. Wilson.

EXAMINERS.

An intimation was received with regret of the death of Mr. W. H. Stevenson, M.A., LL.B., Advocate, Examiner in Scots Law.

The following were elected Examiners of the Society for the ensuing year:—Sir Josiah C. Stamp, G.B.E., Sc.D., D.Sc. (Economics); Mr. Clement C. Gatley, M.A., B.C.L., LL.D., Barrister-at-Law; Mr. Roland Burrows, M.A., LL.D., Barrister-at-Law; Mr. W. H. Coates, LL.B., B.Sc.

(Economics); Mr. C. Hewetson Nelson, F.S.A.A.; Mr. William Norman Bubb, F.S.A.A.; Mr. Robert Ashworth, F.S.A.A., A.C.A.; Mr. Richard Alfred Witty, F.S.A.A.; Mr. Edward Thompson Allen, M.A., Barrister-at-Law; Mr. Theodore C. Tobias, B.A., B.L., Barrister-at-Law, Dublin; Mr. C. B. Milne, M.A., LL.B., Advocate, Edinburgh.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotions in the Membership of the Society have been completed since our April issue:—

ASSOCIATES TO FELLOWS.

BANVILLE, THOMAS FRANCIS (Thomas Banville & Co.), Clarence Chambers, 4, Piccadilly, Manchester, Practising Accountant.
DALAL, RAMANIKLAL KARASONDAS, B.Com. (Dalal & Shah), 70, Meadows Street, Fort, Bombay, Practising Accountant.
DUTTON, HORACE REVITT, Borough Treasurer, Town Hall, St. Helens.
JONES, EDWARD BERNARD, Borough Accountant, Town Hall, Chorley.
LORD, LEWIS, Treasurer, Stretford Urban District Council, Council Offices, Old Trafford, Manchester.
PRIEST, FREDERICK WILLIAM, 3, St. Bride's House, Salisbury Square, London, E.C.4, Practising Accountant.
SHAH, NATHERLAL JEKISHONDAS, B.Com. (Dalal & Shah), 70, Meadows Street, Fort, Bombay, Practising Accountant.
WILLIAMS, GEORGE RICHARD (Geo. R. Williams & Humphries), 26, Windsor Place, Cardiff, Practising Accountant.

ASSOCIATES.

ATKINSON, DORIS MARJORIE, Clerk to Charles H. Wilson, 7, Greek Street, Leeds.
BOLTMAN, WILLIAM, Clerk to F. W. Anton Eveleigh, Library Buildings, Market Square, Port Elizabeth, South Africa.
CHING, RONALD NELSON, Clerk to W. J. Ching, Princess Chambers, 8, Sussex Terrace, Princess Square, Plymouth.
DALLAS, LIONEL FORBES, B.A., Clerk to Deloitte, Plender, Griffiths, Annan & Co., Norwich Union Buildings, St. George's Street, Cape Town.
DOLEMAN, FRANCIS WILLIAM, Clerk to F. W. Clarke & Co., 25/28, Corridor Chambers, Market Place, Nottingham.
GAVIN, JOHN STEEL (JUNR.) (John S. Gavin & Son), 58, West Regent Street, Glasgow, Practising Accountant.
JORDAN, CHARLES STANLEY, Clerk to T. Greenhalgh & Co., Empress Chambers, 97, Church Street, Blackpool.
PEARCE, EDWARD EWART, Clerk to H. E. Sweeting, Charles Street Chambers, 4, Charles Street, Cardiff.
PULKER, DOUGLAS HENRY, Clerk to W. Hinton, Dominion House, Longmarket Street, Cape Town.
SCOTT, REUBEN CLAUDE, Clerk to Cole, Dickin & Hills, Sardinia House, Sardinia Street, Kingsway, London, W.C.2.
SLATFORD, ALAN HERBERT, Clerk to Booth, Anderson & Co., 40/43, Norfolk Street, Strand, London, W.C.2.
STAITE, LAURENS HADDON, Clerk to Silversides, Slack & Barnsley, 5, Bath Place, Worthing.
TURNER, BERNARD JAMES, Clerk to Harry Harris & Co., 2 & 4, East Circus Street, Park Row, Nottingham.
WESTBOROUGH, ARTHUR STUART, Clerk to S. J. Dudbridge & Sons, 8, Lansdown, Stroud, Glos.

Professional Appointment.

Mr. C. Henry Huntley, A.S.A.A., Assistant Borough Treasurer of Redcar, Yorkshire, has been appointed Accountant to the Urban District Council of Litherland, near Liverpool.

FINANCE BILL.

The following are the clauses of the Finance Bill, 1927, relating to Income Tax and Super Tax.

PART II.

Income Tax.

INCOME TAX AND SUPER TAX FOR 1927-28.

17.—(1) Income tax for the year 1927-28 shall be charged at the rate of 4s., and the rates of super tax for that year shall, for the purposes of sect. 4 of the Income Tax Act, 1918, as amended by the Finance Act, 1920, be the same as those for the year 1926-27.

(2) All such enactments relating to income tax and super tax respectively as were in force with respect to the duties of income tax and super tax granted for the year 1926-27 shall, subject to the provisions of Part IV of the Finance Act, 1926, have full force and effect with respect to the duties of income tax and super tax respectively granted by this Act.

(3) The annual value of any property which has been adopted for the purpose of income tax under Schedules A and B for the year 1926-27 shall be taken as the annual value of that property for the same purpose for the year 1927-28:

Provided that this sub-section shall not apply to lands, tenements and hereditaments in the Administrative County of London with respect to which the valuation list under the Valuation (Metropolis) Act, 1869, is by that Act made conclusive for the purposes of income tax.

AMENDMENT AS TO DATE OF PAYMENT OF TAX UNDER SCHEDULE A.

18.—Sub-sect. (2) of sect. 157 of the Income Tax Act, 1918 (which provides that in the cases to which that sub-section applies income tax shall be payable in two equal instalments), shall cease to have effect so far as it relates to tax chargeable under Schedule A, other than any tax so chargeable in respect of income which is, or is to be treated as, earned income.

AMENDMENT OF SECT. 20 OF 12 AND 13 GEO. V, C. 17.

19.—Sect. 20 of the Finance Act, 1922 (which provides that income under revocable and certain other dispositions shall be treated as income of the donor) shall in relation to any disposition made by any person after April 11th, 1927, have effect as if for paragraph (b) of sub-sect. (1) there were substituted the following paragraph:—

(b) which by virtue or in consequence of any disposition made, directly or indirectly, by any person (other than a disposition made for valuable and sufficient consideration) is payable to or applicable for the benefit of any other person, but exclusive of any income which—

(i) is payable to an individual for his own use for some period which may exceed six years or is applicable for the benefit of a named individual for such a period; or

(ii) Arises from capital of which the donor has by the disposition absolutely divested himself in favour or for the benefit of that other person.

AMENDMENT AS TO RELIEF FROM TAX IN RESPECT OF LOSSES.

20.—When a person has under the provisions of sub-sect. (3) of sect. 29 of the Finance Act, 1926, elected to be charged to income tax in respect of profits or gains or income arising from any source on the amount on which he would have been charged if the said section had not passed, that person shall not be entitled to relief under sect. 33 of the said Act

in respect of a loss sustained in any year earlier than the year 1928-29 or than the year which is, under the provisions of sect. 34 of the said Act, to be taken to be the year preceding the year 1929-30.

APPLICATION OF SECT. 29 OF FINANCE ACT, 1926, TO CERTAIN CASES.

21.—Where a trade, profession or vocation has been set up or commenced or income has first become chargeable under Case V of Schedule D within the period of two years immediately preceding the year next before the year of assessment, the provisions of sub-sect. (1) of sect. 29 of the Finance Act, 1926, shall apply for the purpose of computing income tax in respect of the profits or gains of that trade, profession or vocation or in respect of that income as they apply for the purpose of computing income tax in respect of the profits or gains or income mentioned in that sub-section.

AMENDMENT AS TO EXEMPTION FROM INCOME TAX IN RESPECT OF PROFITS OF TRADES CARRIED ON BY CHARITIES.

22.—The following shall be substituted for para. (c) of sub-sect. (1) of sect. 30 of the Finance Act, 1921:—

(c) From income tax under Schedule D in respect of the profits of a trade carried on by any charity, if the profits are applied solely to the purposes of the charity and either—

(i) The trade is exercised in the course of the actual carrying out of a primary purpose of the charity; or

(ii) The work in connection with the trade is mainly carried on by beneficiaries of the charity.

PAYMENT OF INCOME TAX ON CERTAIN COPYRIGHT ROYALTIES BY DEDUCTION.

23.—(1) Where the usual place of abode of the owner of a copyright is not within the United Kingdom, Rule 21 of the General Rules shall apply to any payment of or on account of any royalties or sums paid periodically for or in respect of that copyright as it applies to annual payments not payable out of profits or gains brought into charge.

(2) In this section the expression "copyright" does not include a copyright in any dramatic work being a cinematograph production, or in any artistic work being a photograph intended to be used for the purpose of the exhibition of pictures or other optical effects by means of a cinematograph or other similar apparatus.

(3) This section shall apply to all payments of or on account of any royalties or sums made on or after July 1st, 1927, for or in respect of any such copyright as aforesaid, and to any payments made between April 11th, 1927, and the said July 1st on account of any such royalties or sums payable in respect of any matter arising on or after the said July 1st.

(4) In this section the expression "owner of a copyright" includes a person who, notwithstanding that he has assigned a copyright to some other person, is entitled to receive periodical payments in respect of that copyright.

AMENDMENT OF RULE 21 OF GENERAL RULES.

24.—(1) Rule 21 of the General Rules shall be amended by the substitution of the following paragraphs for para. (2) thereof:—

(2) Where any such payment as aforesaid is made by or through any person, that person shall forthwith deliver to the Commissioners of Inland Revenue, for the

use of the Special Commissioners, an account of the payment, or of so much thereof as is not made out of profits or gains brought into charge, and of the tax deducted out of the payment or out of that part thereof, and the Special Commissioners shall assess and charge the payment of which an account is so delivered on that person.

(2A) The Special Commissioners may, where any person has made default in delivering an account required by this Rule, or where they are not satisfied with the account so delivered, make an assessment according to the best of their judgment, and if any person neglects or refuses to deliver an account so required, he shall forfeit the sum of £100 over and above the tax chargeable.

(2B) All the provisions of the Income Tax Acts relating—

(a) To persons who are to be chargeable with income tax and to income tax assessments;

(b) To appeals against such assessments;

(c) To the collection and recovery of income tax;

(d) To cases to be stated for the opinion of the High Court,

shall, so far as they are applicable, apply to the charge, assessment, collection and recovery of income tax under this Rule, and the Special Commissioners shall, for the purpose of an assessment under this Rule, have any powers of a surveyor, and, for the purpose of the representation of the Crown before the Special Commissioners on any appeal under this Rule, any person nominated in that behalf by the Commissioners of Inland Revenue shall have all such powers as a surveyor has at and upon the determination of an appeal.

(2) The provisions of the said Rule 21 as amended by sub-sect. (1) of this section shall, subject to any necessary modifications, apply in the case of a payment which has been made before the passing of this Act unless at that date the tax to be deducted from the payment has been paid to the Crown.

RELIEF IN RESPECT OF LOSSES IN TRANSACTIONS PROFITS OF WHICH WOULD BE CHARGEABLE UNDER CASE VI OF SCHEDULE D.

25.—(1) Where in any year of assessment a person sustains a loss in any transaction, whether he was engaged therein solely or in partnership, being a transaction of such a nature that, if any profits had arisen therefrom, he would have been liable to be assessed in respect thereof under Case VI of Schedule D, he may claim that the amount of the loss sustained by him shall, as far as may be, be deducted from or set off against the amount of any profits or gains arising from any similar transaction in respect of which he is assessed for that year under the said Case VI, and that any portion of the loss for which relief is not so given shall, as far as may be, be carried forward and deducted from or set off against the amount of any profits or gains arising from any similar transaction in respect of which he is assessed under the said Case VI for any of the six following years of assessment.

(2) In the application of this section to a loss sustained by a partner in a partnership the expression "the amount of any profits or gains arising from any similar transaction in respect of which he is assessed" shall be taken to mean in respect of any year such portion of the amount on which the partnership is assessed in respect of any similar transaction as he would be required under the Income Tax Acts to include in a return of his total income for that year.

(3) Any relief under this section by way of the carrying forward of the loss shall be given as far as possible from the first subsequent assessment in respect of any such profits or

gains as aforesaid for any year within the said six following years, and, so far as it cannot be so given, then from the next such assessment and so on.

(4) The provisions of this section shall extend so as to apply to a loss sustained in the year ending April 5th, 1927.

RELIEF IN RESPECT OF LOSSES IN BUSINESS SET UP AFTER APRIL 6TH, 1923.

26.—(1) If a person who is assessable to income tax for the year 1927-28 or the year 1928-29 in respect of the profits or gains of a trade, profession or vocation (whether carried on by him solely or in partnership) which was set up and commenced after April 6th, 1923, proves—

- (a) That in any year earlier than the year 1926-27, or than the year which would under the provisions of sect. 34 of the Finance Act, 1926, be taken to be the year preceding the year 1927-28, he sustained a loss (to be computed in like manner as profits or gains under the Rules applicable to Cases I and II of Schedule D) in the trade, profession or vocation; and
- (b) That that loss would, if Part IV of the Finance Act, 1926, had not passed, have been taken into account in the period upon the average of which the profits or gains of the trade, profession or vocation would have been calculated for the purposes of the assessment either for the year 1927-28 or for both the said years 1927-28 and 1928-29,

he may claim that an amount equal to one-third of that loss shall, as far as may be and subject to the provisions of this section, be deducted

(i) From the amount on which he is assessed in respect of the profits or gains of the trade, profession or vocation for the year 1927-28, or

(ii) Both from that amount and from the amount on which he is so assessed for the year 1928-29, if the loss would have been taken into account in the period upon the average of which the profits or gains of the trade, profession or vocation would have been calculated for the purpose of the assessment for that last mentioned year:

Provided that the amount of the deduction to be allowed to any person under this section in respect of the assessment for either of the said years shall not be in excess of the amount by which the aggregate amount of the assessments made on him in respect of the trade, profession or vocation for the period from the first setting up thereof until the end of that year (as reduced by any deduction under this section or by any deduction allowed under Rule 13 of the Rules applicable to Cases I and II of Schedule D on account of losses arising in the trade) is greater than the amount by which his aggregate profits and gains from the trade, profession or vocation for the said period exceeds the aggregate amount of his losses therefrom during that period, after deducting from those losses any loss or portion of a loss which has been or can be carried forward under sect. 33 of the Finance Act, 1926, and the amount of any loss or losses in respect of which relief is given under sect. 34 of the Income Tax Act, 1918.

(2) In so far as relief in respect of any loss is given to any person under this section, he shall not be entitled to claim relief in respect of that loss under any other provision of the Income Tax Acts.

(3) For the purpose of the application of this section to any person, the expressions "the amount on which he is assessed in respect of the profits or gains" and "the aggregate amount of the assessments made on him" shall in respect of any year or period be taken to mean the amount or the

aggregate of the amounts respectively which that person would be required under the Income Tax Acts to include in respect of the profits of the trade, profession, or vocation in his return or returns of total income for that year or period if the return or returns were made before taking into account any adjustment under sect. 34 of the Income Tax Act, 1918, or any deduction or set off under sect. 33 of the Finance Act, 1926, in respect of a loss.

RELIEF IN RESPECT OF LOSSES WHERE BUSINESS IS TRANSFERRED TO A COMPANY.

27.—(1) If, where a business carried on by any individual or by any individuals in partnership has, whether before or after the passing of this Act, been transferred to a company in consideration solely of the allotment of shares of the company to that individual or those individuals, the total income as computed for the purposes of income tax of any individual to whom shares have been so allotted for any year of assessment throughout which he is the beneficial owner of the shares and throughout which the company carries on the business, includes any income derived by him from the company, whether by way of dividends on those shares or otherwise, the provisions of sect. 33 of the Finance Act, 1926, shall apply as if the income so derived were profits and gains on which that individual was assessed under Schedule D in respect of that business for that year:

Provided that—

(i) Where under the said sect. 33, as applied by this section, a loss falls to be deducted from or set off against any such income for any year of assessment, the deduction or set off shall be made in the first place against that part, if any, of the income in respect of which the individual has been or is liable to be assessed to tax for that year; and

(ii) Where any loss, or any part of a loss, falls to be deducted from or set off against any part of the income from which tax was deductible by the company, the individual shall on giving notice in writing to the surveyor not later than twelve months after the end of the year of assessment to which the claim relates, be entitled to claim an appropriate repayment of tax, and the provisions of the Income Tax Acts relating to claims for repayment of tax in respect of any allowance or deduction shall, subject to any necessary modification, apply to claims for repayment under this section.

(2) This section in its application to the year of assessment in which a business is transferred as aforesaid shall have effect as if for the reference to the year of assessment throughout which the individual is the beneficial owner of the shares and throughout which the company carries on business there were substituted a reference to the period from the date of transfer to the fifth day of April next following.

AMENDMENT OF SECTION 84 OF INCOME TAX ACT, 1918.

28.—Where by virtue of sect. 84 of the Income Tax Act, 1918 (which empowers the Commissioners of Inland Revenue to appoint collectors in certain cases), the power to appoint a collector for any area has become vested in the Commissioners of Inland Revenue, those Commissioners may appoint a collector for that area to hold office during their will and pleasure and assign to him such remuneration as the Treasury may direct, and, notwithstanding any alteration of any parish for the purposes of poor law administration, may continue to appoint a collector for that area, and, so long as they so continue, the parish or parishes forming that area shall remain a parish or parishes for which tax is to be separately assessed.

PROVISIONS RELATING TO SUPER-TAX.

29.—(1) Sub-sect. (1) of sect. 21 of the Finance Act, 1922, shall have effect as if at the end thereof there were added as a new paragraph the following:—

"For the purpose of this sub-section any such sum as is hereinafter described shall be regarded as income available for distribution among the members of the company and not as having been applied or being applicable to the current requirements of the company's business or to such other requirements as may be necessary or advisable for the maintenance and development of that business, that is to say:—

(a) Any sum expended or applied, or intended to be expended or applied, out of the income of the company, whether in pursuance of any obligation binding on the company or not—

(i) In or towards payment for the business, undertaking or property acquired by the company; or

(ii) In redemption or repayment of any share or loan capital or debt (including any premium on such share or loan capital or debt) issued or incurred in or towards payment for the business, undertaking or property, or issued or incurred for the purpose of raising money applied or to be applied in or towards payment therefor; or

(iii) In meeting any obligations of the company in respect of the acquisition of the business, undertaking or property:

(b) Any sum expended or applied, or intended to be expended or applied, in pursuance or in consequence of any fictitious or artificial transaction."

(2) In sub-sect. (6) of the said sect. 21, for the words from the beginning thereof down to and including the words "beneficial owner of shares in the company" there shall be substituted the following:—

"This section shall apply to any company within the meaning of the Companies (Consolidation) Act, 1908, which is under the control of not more than five persons.

"For the purposes of this sub-section—"

(3) Where an order has been made or a resolution passed for the winding-up of a company to which the said sect. 21 applies, the income of the company for the period from the end of the last year or other period for which accounts of the company have been made up to the date of the order or resolution for winding-up shall, for the purposes of the said section, be deemed to be income of that period available for distribution to the members of the company, and, as respects that period and the next preceding year or other preceding period or periods ending within that next preceding year for which accounts have been made up, the said section shall apply as if the words "within a reasonable time" in sub-sect. (1) of the said section were omitted therefrom.

(4) Any notice required under the provisions of the said sect. 21 to be served upon a company may, where the company is in liquidation, be served upon the liquidator of the company, and the liquidator shall be responsible for doing all matters or things required to be done by or on behalf of the company, and the liquidator shall be responsible for the due payment of any super tax payable by or recoverable from the company under the provisions of the said section.

(5) The income apportioned to a member of a company for the period from the end of the last year or other period for which accounts have been made up to the date of the order or resolution for winding-up shall, for the purposes of super tax,

be deemed to have been received by him on the date of that order or resolution.

APPLICATION OF 12 AND 13 GEO. V, C. 17. SECTION 21 TO INTERCONNECTED COMPANIES.

30.—(1) Where a member of a company (in this section referred to as "the first company"), the income of which for any year or period has been deemed to be the income of its members and has been the subject of an apportionment (in this section referred to as "the original apportionment") under sect. 21 of the Finance Act, 1922, is itself a company (in this section referred to as "the second company") to which the provisions of that section apply, the excess of the amount so apportioned to the second company over the amount, if any, which has been received by the second company out of the income as aforesaid of the first company in such manner as would, in the case of an individual, render the amount so received liable to be included in the statement of his income for the purposes of super tax, shall for the purposes of the said section be deemed to be income of the members of the second company and shall be apportioned among them in accordance with their respective interests in that company, and the provisions of the said section shall, with any necessary modifications, apply accordingly.

(2) The second company shall, on being required by notice in writing to that effect given to it by the Special Commissioners, furnish the Commissioners with a statement showing the names and addresses and particulars of the respective interests of all its members as on the last day of the year or other period the income of which formed the subject of the original apportionment, and the income apportioned as aforesaid to the members of the second company shall, for the purposes of super tax, be deemed to have been received by those members on that date.

(3) Any super tax chargeable by reference to the provisions of the said sect. 21 in respect of the amount of the income of the first company apportioned to any member of the second company shall be assessed upon that member in the name of the first company, and shall, subject to the provisions of the said section as to payment by the member, be payable by the first company, and the provisions of the said section as to the assessment, collection and recovery of super tax chargeable in respect of the income of a company apportioned to any member thereof shall, with any necessary modifications, apply accordingly.

(4) Where a member of any such second company as aforesaid is itself a company to which the said sect. 21 applies, the income apportioned to it under the foregoing provisions of this section shall in turn be deemed to be the income of its members and apportioned to them, for purposes of assessment to super tax, in accordance with their respective interests, and so on successively where any member to whom income of a company has been apportioned is itself a company to which the said section applies, so that successive apportionments shall in like manner be made until the entire amount of the income which was apportioned under the provisions of this section among the members of the second company has been apportioned to persons other than a company to which the said section applies, and the said section shall with any necessary modifications apply to such successive apportionments and to the furnishing of statements and to the assessment, collection and recovery of super tax in respect of income apportioned thereunder, and, in particular, the date on which any such income is to be deemed to have been received by the member to whom it is apportioned shall be the date mentioned in sub-sect. (2) of this section, and any super tax which is chargeable in respect of income

apportioned to a member being an individual shall be assessed and charged upon that member in the name of the first company.

PROVISIONS FOR PREVENTING AVOIDANCE OF SUPER TAX BY SALES CUM DIVIDEND, &c.

31.—(1) Any individual upon whom notice is served by the Special Commissioners requiring him to furnish a statement of and particulars relating to any assets in which, at any time during the period specified in the notice, he has had any beneficial interest, and in respect of which, within such period, either no income was received by him, or the income received by him was less than the sum to which the income would have amounted, if the income from such assets had accrued from day to day and been apportioned accordingly, shall, whether an assessment to super tax in respect of his total income has or has not been made for the relevant year or years of assessment, furnish such a statement and such particulars in the form and within the time (not being less than 28 days) required by the notice.

(2) The Special Commissioners may serve further notices whenever they consider it necessary for the purposes of this section until complete particulars have been furnished to their satisfaction.

(3) If it appears to the Special Commissioners by reference to all the circumstances in relation to any assets of any such individual (including circumstances with respect to sales, purchases, dealings, contracts, options, arrangements, transfers, or any other transactions relating to such assets) that the individual has thereby avoided or would avoid more than 5 per cent. of the amount of the super tax for any year which would have been payable in his case if the income from those assets had been deemed to accrue from day to day and had been apportioned accordingly and the income so deemed to have been apportioned to him had been treated as part of his total income from all sources for the purposes of super tax, then those assets shall be deemed to be assets to which sub-sect. (4) of this section applies.

(4) For the purposes of assessment to super tax in the case of any such individual, the income from any assets to which this sub-section applies shall be deemed to accrue from day to day, and in the case of the sale or transfer by him of any such assets he shall be deemed to have received on the date of the sale or transfer an amount of income equal to the amount of income deemed so to have accrued up to that date, and such income shall be deemed to form part of his total income.

(5) If any individual fails to furnish any statement or particulars required under this section, or if the Special Commissioners are not satisfied with any statement or particulars furnished under this section, they may make an estimate of the amount of the income which, under the foregoing provisions of this section, is to be deemed to form part of his total income for the purposes of super tax.

(6) If any individual without reasonable excuse fails to furnish any statement or particulars required under this section, he shall be liable to a penalty not exceeding £50, and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the failure continues.

RELIEF FROM SUPER TAX WHERE INCOME ATTRIBUTABLE TO A PERIOD EXCEEDING A YEAR IS RECEIVED IN A YEAR.

32.—If, on an application made by any individual for the purpose, either at the time of making his return for the purposes of super tax for any year or within the time limited for appealing against the assessment upon him to super tax

for that year, the applicant proves to the satisfaction of the Special Commissioners—

(a) That, as respects any assets, in consequence of the operation of the provisions of the Income Tax Acts which require that for purposes of super tax any income which is chargeable with income tax by way of deduction shall be deemed to be income of the year in which it is receivable, the income from those assets, as estimated for the purposes of super tax for that year, represents more than the income which would be attributable to a period of one full year if the income were deemed to have accrued from day to day; and

(b) That, in consequence, the amount of super tax payable by him for that year exceeds by more than 5 per cent. the amount of the super tax which would have been payable by him for that year if the amount of his income from those assets had not exceeded the amount which would be attributable to a period of one full year if the income from those assets were deemed to have accrued from day to day;

the Special Commissioners may charge him to super tax, or adjust his liability to super tax, for that year and any succeeding year so as to give such relief as may be just, having regard to all the circumstances and in particular to the amount of any liability or additional liability to super tax which would have arisen for any preceding year or years if—

(i) The income from such assets as aforesaid were deemed to have accrued from day to day and to have been apportioned accordingly; and

(ii) The income so deemed to have been apportioned to him had been treated as part of his total income for the purposes of super tax.

SUPPLEMENTAL PROVISIONS.

33.—(1) Any income arising in respect of any assets which for any of the purposes of the last two preceding sections of this Act is deemed to have accrued from day to day or which is to be computed as if it were income that accrued from day to day shall—

(a) If payable in respect of any stated period, be deemed to have accrued from day to day during that period; and

(b) If not payable in respect of any stated period, be deemed to have accrued from day to day during the period of twelve months next preceding the date on which that income was declared payable, or during the period between the last previous declaration of a dividend (not being a dividend expressed to be an interim dividend in respect of a stated period), payment of interest, or other yield or produce of such asset and the date aforesaid, whichever period is less.

(2) The provisions of the Income Tax Acts relating to appeals against assessments to super tax, including the provisions relating to the statement of a case for the opinion of the High Court on a point of law, shall, with any necessary modifications, apply for the purposes of the last two preceding sections of this Act.

APPLICATION OF LAST FIVE PRECEDING SECTIONS.

34.—The provisions of the last five preceding sections of this Act shall apply for the purposes of assessment to super tax for the year 1928-29.

PART III.

Amendment with respect to Method of charging additional Income Tax on Higher Income, Basis of Assessment under Schedule E, &c.**CHARGE OF INCOME TAX AT STANDARD RATES AND AT HIGHER RATES IN RESPECT OF INCOME ABOVE CERTAIN AMOUNT.**

35.—(1) Income tax for the year 1928-29 and every subsequent year shall, instead of being charged at a single rate, be charged at a standard rate and, in the case of an individual whose total income from all sources exceeds a stated amount, at a rate or rates exceeding the standard rate in respect of any part or parts of his income in excess of that amount, and where income tax is so charged for any year the following provisions shall have effect, subject to the other provisions of this Part of this Act—

(a) All such enactments relating to income tax as were in force immediately before the commencement of this Part of this Act shall, in so far as they relate to income tax (not including super tax) have effect as if income tax were charged for that year at the standard rate only and in the case of an individual whose total income exceeds the stated amount, the amount of the income tax so charged shall, so far as that income tax is borne by him in respect of his income, be deemed to be an instalment at the standard rate of the amount of income tax for which he is chargeable for that year;

(b) Where the amount of income tax payable by an individual for that year in respect of his total income is greater than the amount which would have been payable by him in respect thereof if income tax had been chargeable at the standard rate only, the difference between those two amounts (in this Part of this Act referred to as "surtax") shall be computed, assessed, charged, collected and paid as a deferred instalment of income tax according to the provisions of this Part of this Act relating to surtax;

and super tax shall not be charged for the year 1929-30 or any subsequent year.

(2) The expression "total income" in relation to any person means the total income of that person from all sources estimated, as the case may be, either in accordance with the provisions of the Income Tax Acts as they apply to income tax chargeable at the standard rate or in accordance with those provisions as they apply to surtax.

PROVISIONS WITH RESPECT TO INCOME TAX CHARGEABLE BY WAY OF DEDUCTION.

36.—(1) Such of the provisions of the Income Tax Acts as provide that income tax may be deducted from any payment at the rate or rates of tax in force during the period through which the payment was accruing due, or that there may be deducted from any dividend the tax appropriate thereto, or that a proportionate deduction of the tax charged shall be allowed by any person out of any produce or value payable to him, shall have effect as if they provided that tax may be deducted or shall be allowed at the standard rate for the year in which the amount payable becomes due:

Provided that this subsection shall not—

- (a) Apply to the deduction to be made under Rule 1 of No. VIII in Schedule A; or
- (b) Affect the first proviso to Rule 4 of the said No. VIII relating to deductions in Scotland.

(2) In estimating under the Income Tax Acts the total income of any person, any income which is chargeable with income tax by way of deduction at the standard rate in force

for any year shall be deemed to be income of that year, and any deductions which are allowable on account of sums payable under deduction of income tax at the standard rate in force for any year out of the property or profits of that person shall be allowed as deductions in respect of that year, notwithstanding that the income or sums, as the case may be, accrued or will accrue in whole or in part before or after that year.

(3) Where a person is required to be assessed and charged with income tax in respect of any property, profits or gains out of which he makes any payment in respect of any annual interest, annuity or other annual sum, or any royalty or other sum in respect of the user of a patent, he shall, in respect of so much of the property, profits or gains as is equal to the said payment and may be deducted in computing his total income, be charged at the standard rate only.

SUBSTITUTION OF RELIEFS BY WAY OF REDUCTION OF TAX FOR RELIEFS BY WAY OF DEDUCTIONS FROM ASSESSABLE INCOME, &c.

37.—(1) The enactments set out in Part 1 of the Fifth Schedule to this Act in so far as they provide for relief from income tax either by means of a deduction from assessable income or from the amount of earned income or from the amount of total income, shall, subject to the amendments specified in the third column of the said Part 1, have effect as if they provided for relief from income tax by means of a deduction from the amount of income tax with which any individual is chargeable equal to tax at the standard rate on the amount of deduction from income to which he would have been entitled under the said provisions:

Provided that the amount of any deduction under this subsection shall be subject to such adjustment as may be proper in any case where relief is given in respect of Dominion income tax.

(2) Every individual shall, in substitution for the relief under sect. 23 of the Finance Act, 1920, be entitled to have the amount of the income tax which remains chargeable on him in respect of his total income after there has been made any deduction of tax to which he is entitled under sub-sect. (1) of this section reduced by a further deduction equal to one-half of the amount so remaining chargeable or equal to one-half the tax at the standard rate on £225, whichever is the less:

Provided that, where an individual has received relief from United Kingdom income tax in respect of Dominion income tax, the deduction to be made under this sub-section shall not be less than it would have been if no such relief had been given, but nothing in this sub-section shall affect any adjustment required to be made under sub-sect. (3) of sect. 27 of the Finance Act, 1920 (which provides for an adjustment where relief in respect of Dominion income tax has been allowed in respect of any part of the income of any individual at a rate greater than the rate appropriate to his case).

(3) Where under the provisions of the Income Tax Acts an individual is entitled to claim relief from income tax (other than relief in respect of life insurance premiums), by repayment or otherwise, in respect of any amount which is paid or borne by him out of his income or which is allowable or may be deducted therefrom, or in respect of any reduction of an assessment relating to his income or any part thereof, or in respect of any adjustment or set off with regard to a loss, and claims that relief for any year of assessment, any relief granted shall not extend so as to make the total income tax paid or payable by that individual for that year less than it would have been if the amount in respect of which relief is claimed had been deducted in computing his total income for that year and the amount of any other deductions or reliefs to

which he is entitled for that year had been determined accordingly.

(4) Any reference in any provision of the Income Tax Acts to any allowance or deduction which is replaced by a relief under this section shall be construed as a reference to such last-mentioned relief.

PROVISIONS WITH RESPECT TO MAKING AND DETERMINATION OF CLAIMS.

38.—(1) A claim for a deduction of tax under the last preceding section of this Act shall be delivered to the surveyor and shall be made in such form as the Commissioners of Inland Revenue may direct.

(2) Where the surveyor objects to any such claim it shall be heard and determined by the Commissioners concerned in like manner as in the case of an appeal against an assessment under Schedule D, and the provisions of the Income Tax Acts relating to a statement of a case for the opinion of the High Court on a point of law shall apply.

(3) Subject to the provisions of this section, all the provisions of the Income Tax Acts relating to claims for any allowance or deduction shall, with any necessary modifications, apply to claims to which this section relates:

Provided that nothing in this section shall affect the provisions of sect. 20 of the Finance Act, 1926 (which relates to the making of claims by certain individuals who are not resident in the United Kingdom).

PROVISIONS AS TO DATE OF PAYMENT, ASSESSMENT, &c., OF SURTAX.

39.—(1) Surtax shall be due and payable as a deferred instalment of income tax on or before the first day of January next after the end of the year of assessment for which it is payable, except that surtax or any part of any surtax included in an assessment which is signed and allowed on or after the said January 1st shall be deemed to be due and payable on the day next after the day on which the assessment is signed and allowed.

(2) Surtax shall be assessed and charged by the Special Commissioners, and, notwithstanding anything in the Income Tax Acts providing for the separate assessment of income arising from different sources, shall be assessed and charged in one sum.

(3) The Special Commissioners may make an assessment or additional assessment in respect of surtax during any time within the year of assessment or within the period allowed by the Income Tax Acts for the making of assessments and additional assessments in respect of income tax charged at the standard rate, and sect. 24 of the Finance Act, 1923 (which provides for relief in respect of error or mistake), shall, with any necessary modifications, apply to surtax as it applies to tax charged under an assessment under Schedule D.

(4) Where an assessment to income tax made at the standard rate has under the provisions of the Income Tax Acts become final and conclusive for any year the assessment shall also be final and conclusive for the purpose of estimating total income for the purpose of surtax for that year, and no allowance or adjustment of liability on the ground of diminution of income or loss shall be taken into account in estimating the total income for that purpose, unless that allowance or adjustment has been previously made in respect of the income tax charged at the standard rate on an application under the special provisions of the Income Tax Acts relating thereto.

(5) For the purpose of charging surtax there shall be deducted from the total income of an individual in the service

of the Crown abroad, any such sum as the Treasury may allow for expenses which, in their opinion, are necessarily incidental to the discharge of the functions of his office, and for which an allowance has not already been made.

(6) Relief from United Kingdom income tax in respect of Dominion income tax shall not be taken into account in computing surtax, but shall be given from income tax charged or chargeable at the standard rate.

(7) Assessments in respect of surtax shall be subject to appeal to the Special Commissioners except on such matters as under sub-sect. (4) of this section are to be regarded as having been finally and conclusively determined, and all the provisions of the Income Tax Acts relating—

- (a) To persons who are to be chargeable with income tax at the standard rate and to assessments to such tax;
- (b) To appeals against such assessments;
- (c) To the collection and recovery of such tax;
- (d) To cases to be stated for the opinion of the High Court:

shall, so far as they are applicable, apply to the charge, assessment, collection and recovery of surtax, and the Special Commissioners shall, for the purpose of assessment of surtax, have any powers of a surveyor and, for the purpose of the representation of the Crown on any appeal before the Special Commissioners, any person nominated in that behalf by the Commissioners of Inland Revenue shall have the same power at, and upon the determination of, the appeal as a surveyor has at, and upon the determination of, any appeal relating to income tax at the standard rate.

(8) The Commissioners of Inland Revenue may make regulations for the purpose of carrying into effect the provisions of this Act relating to surtax.

(9) If an application is made for the purpose in such manner and form as may be prescribed by the Commissioners of Inland Revenue, by either a husband or wife, before July 6th in the year next following the year of assessment:—

- (a) Surtax for that year shall be assessed, charged and recovered on the income of the husband and on the income of the wife as if they were not married, and all the provisions of this Act with respect to the assessment, charge and recovery of surtax, and the penalties for failure to make a return, shall apply as if they were not married; and
- (b) The income of the husband and wife shall be treated as one in estimating total income for the purposes of surtax, and the amount of surtax payable in respect of the total income shall be divided between the husband and wife in proportion to the amounts of their respective incomes and the total amount payable shall not be less than it would have been if an application had not been made under this section.

The Special Commissioners may require returns to be made at any time for the purpose of this sub-section.

(10) Subject to the provisions of this Part of this Act, all the provisions of the Income Tax Acts which are in force as from the date of the commencement of this Part of this Act (other than Part II of the Income Tax Act, 1918), shall, in so far as they relate to super tax or to any matter or thing touching super tax, continue to have effect and be construed as relating also to surtax and to any similar matter or thing touching surtax, and as if, in the case of any individual liable to surtax, a return which he has been required to make under sub-sect. (1) of the next following section of this Act were a return which he had been required to make of his total income for the purposes of super tax.

POWER TO REQUIRE RETURNS OF INCOME FROM ALL SOURCES.

40.—(1) The provisions of the Income Tax Acts which direct that persons shall prepare and deliver statements of profits or gains shall be extended so as to require any individual upon whom a particular notice is served for that purpose to prepare and deliver within the time limited by such notice a true and correct return in the prescribed form of all the sources of his income and of the amount derived from each source for the year preceding the year of assessment, computed in accordance with the provisions of the Income Tax Acts, as amended by this Act:

Provided that the computation of income shall be made by reference to the year preceding the year of assessment and not by reference to any other year or period.

(2) Any particular notice which under the provisions of the Income Tax Acts (including sub-sect. (1) of this section) may be given to any person requiring him to prepare and deliver any such lists, declarations, statements or returns as are required by the Income Tax Acts to be delivered (other than a notice requiring the delivery of a statement of the annual value of lands and tenements for the purposes of assessment under Schedule A or Schedule B) shall be given by the surveyor and not by the assessor, and any list, declaration, statement or return which the person to whom the notice is given is required to make shall be delivered to the surveyor, but nothing in this sub-section shall affect the operation of sect. 117 of the Income Tax Act, 1918 (which relates to the powers of assessors for public departments).

(3) Any such lists, declarations, statements and returns as are referred to in sub-sects. (1) and (2) of this section shall be in such form as the Commissioners of Inland Revenue shall prescribe, and in prescribing forms under this sub-section the Commissioners shall have regard to the desirability of securing, as far as may be possible, that no person shall be required to make more than one return annually of the sources of his income and the amounts derived therefrom.

(4) Subject to the provisions contained in this section, all the provisions of the Income Tax Acts (including the provisions of any regulations made under those Acts) relating to the delivery of lists, declarations, statements and returns to the assessor (including the provisions relating to penalties) shall, with any necessary modifications, apply to lists, declarations, statements and returns required by this section to be delivered to the surveyor, and any such lists, declarations, statements and returns shall be made available to the General, Additional or Special Commissioners and their respective clerks, and, whenever necessary, to the assessors for the preparation and making of assessments.

SPECIAL PROVISIONS AS TO RETURNS IN CONNECTION WITH SURTAX, &c.

41.—(1) It shall be the duty of every individual who, for any year of assessment, is chargeable to income tax in respect of any part of his total income at a rate exceeding the standard rate to give notice that he is so chargeable to the Special Commissioners before September 30th next following the end of that year.

(2) In any case in which it appears to the Special Commissioners that the particulars contained in any return made by any person, whether acting on his own behalf, or as representing an incapacitated, non-resident, or deceased person are insufficient to enable them to assess and charge surtax or that any person has failed to make a return, the Special Commissioners may serve upon him, in manner prescribed by regulations under this Part of this Act, a notice requiring him to make a return of his total income or of the total income of the incapacitated, non-resident or deceased person, as the case may be, and every person so

required shall, whether he is or is not chargeable with surtax, make such a return in the form and within the time required by the notice.

(3) If any person fails to make any such return when so required or if the Special Commissioners are not satisfied with any return made by him they may make an assessment of surtax according to the best of their judgment, and if any person, without reasonable excuse, fails to make any such return as aforesaid or give any notice required by sub-sect. (1) of this section, he shall be liable to a penalty not exceeding £50, and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the default continues.

(4) Notwithstanding anything in this Part of this Act, sect. 132 of the Income Tax Act, 1918 (which contains provisions against fraudulent practices) shall apply for the purposes of surtax as it applies for purposes of income tax at the standard rate, subject to the modification that for the words "the General Commissioners for the division in which he has been charged, or if he has not been charged, then for any division in which he is chargeable" there shall be substituted the words "the Special Commissioners."

BASIS OF ASSESSMENT FOR SCHEDULE E, &c.

42.—(1) Subject to the provisions of this section, Rule 1 of the Rules applicable to Schedule E shall be construed as if for the words "for the year of assessment" there were substituted the words "and shall be computed on the amount of all such salaries, fees, wages, perquisites or profits whatsoever therefrom for the year preceding the year of assessment":

Provided that nothing in this section shall affect the basis of assessment—

- (a) In any case falling within sect. 17 of the Finance Act, 1923, which provides for income tax on leave pay, &c., to be chargeable under Schedule E; or
- (b) In the case of any office or employment held or exercised occasionally or intermittently in the United Kingdom by a person who is not continuously resident there; or
- (c) In the case of the half-yearly assessments on weekly wage earners employed by way of manual labour.

(2) Any deduction from emoluments allowed under the provisions of the Income Tax Acts for the purpose of computing an assessment to income tax under Schedule E shall be made by reference to the amount paid or borne for the year or portion of the year upon the emoluments of which the computation is made.

(3) Any person who was assessed and charged under Schedule E for the year 1927-28 in respect of any office or employment or of any annuity, pension or stipend and was so assessed and charged on the amount of the emoluments for that year shall, on giving notice in writing to the surveyor not later than June 30th, 1929, be entitled to require that any assessment under Schedule E for the year 1928-29 in respect of that office or employment or that annuity, pension or stipend shall be reduced to the amount of the emoluments for that last-mentioned year, if that amount is less than the amount of the emoluments of the preceding year, and thereupon the assessment shall be so reduced and any tax overpaid shall be repaid:

Provided that where an assessment under Schedule E has been reduced for the year 1928-29 under the provisions of this sub-section, the assessment under that Schedule for the year 1929-30 in respect of the office or employment or the annuity, pension or stipend shall be made on the amount of the emoluments thereof for that last-mentioned year.

(4) In the case of income tax chargeable under Schedule E in respect of any office or employment held by any person,

or any annuity, pension or stipend to which any person is entitled—

(i) Income tax shall be computed, as respects the year of assessment in which the person first holds the office or employment or becomes entitled to the annuity, pension or stipend, on the amount of his emoluments for that year;

(ii) Where the person first held the office or employment, or became entitled to the annuity, pension or stipend, on some day in the year preceding the year of assessment other than April 6th, income tax shall be computed on the amount of the emoluments for the year of assessment;

(iii) Where the person first held the office or employment, or became entitled to the annuity, pension or stipend, on April 6th in the year preceding the year of assessment, or on some day in the year next before the year preceding the year of assessment other than April 6th, he shall be entitled, on giving notice in writing to the surveyor within twelve months after the end of the year of assessment, to require that his emoluments shall be charged on the amount thereof for that year and if the tax charged has been paid, any tax overpaid shall be repaid.

(5) Where in any year of assessment a person ceases to hold an office or employment or to be entitled to an annuity, pension or stipend chargeable under Schedule E, tax shall be charged for that year on the amount of his emoluments for the period beginning on April 6th in that year and ending on the date of the cessation, and, if tax has been charged otherwise than in accordance with this provision, any tax overpaid shall be repaid, or an additional assessment may be made, as the case may require, and if the emoluments for the year ending on April 5th in the year preceding the year of assessment in which the cessation occurs exceed the amount on which tax has been charged for that preceding year in respect of the office, employment, annuity, pension or stipend, an additional assessment may be made so that tax shall be charged for that preceding year on the amount of the emoluments for the said year ending April 5th.

(6) In the case of the death of a person in whose case, if he had not died, tax would, under the provisions of the last preceding sub-section, have become chargeable for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators, and shall be a debt due from and payable out of his estate.

(7) Sect. 24 of the Finance Act, 1923 (which provides for relief in respect of error or mistake) shall apply to tax charged under an assessment to income tax made under Schedule E as it applies to tax charged under an assessment to income tax made under Schedule D.

(8) Rules 2, 3 and 5 of the Rules applicable to Schedule E shall cease to have effect as regards assessments under that Schedule in the case of which the basis of assessment is affected by this section.

(9) In this section the expression "emoluments" means all salaries, fees, wages, perquisites or profits or gains whatsoever arising from an office or employment, or the amount of any annuity, pension or stipend, as the case may be.

MINOR AMENDMENTS.

43.—The amendments set out in Part II of the Fifth Schedule to this Act, being amendments consequential on the foregoing provisions of this Part of this Act, shall be made in sects. 25 and 27 of the Finance Act, 1920, and the amendments specified in the second column of Part III of the said Fifth Schedule (which are further consequential amendments or amendments which relate to minor details) shall be made in the provisions of the enactments specified in the first column of that Part of that Schedule.

CONSTRUCTION AND COMMENCEMENT OF PART III AND REPEAL.

44.—(1) The provisions of the Income Tax Acts shall, in relation to matters dealt with in this Part of this Act, have effect subject to the provisions of this Part of this Act and shall, so far as inconsistent therewith, cease to have effect, and subject as aforesaid this Part of this Act shall be construed as one with the Income Tax Acts.

(2) The provisions of this Part of this Act shall, except as otherwise expressly provided, come into operation on April 6th, 1928, but shall not apply to any duties of income tax or super tax granted by Parliament before the commencement of this Part of this Act or to any super tax for the year 1928-29 or to any enactment or matter touching any such duties or any such super tax, and all enactments relating to income tax or super tax which are in force immediately before the commencement of this Part of this Act shall continue to have effect in relation to any such duties or any such super tax as if this Part of this Act had not passed, notwithstanding that those enactments are inconsistent with the provisions of or are expressly repealed by this Part of this Act.

(3) Subject to the provisions of this Act the enactments set out in Part I of the Sixth Schedule to this Act shall be repealed to the extent mentioned in the third column of that Schedule as from the dates respectively mentioned therein.

FIFTH SCHEDULE.

PART I.

Enactment.	Subject Matter.	Amendment.
The Finance Act, 1920:		
Sect. 17 ..	Deductions to be allowed in ascertaining taxable income.	
Sect. 18 ..	Personal allowance..	In sub-sect. (2) the words "an amount equal to five-sixths" shall be substituted for the words "an amount equal to nine-tenths."
Sect. 19 ..	Deduction in respect of relatives taking charge of widower's or widow's children.	
Sect. 20 ..	Deduction in respect of widowed mother.	
Sect. 21 ..	Deduction in respect of children.	
Sect. 22 ..	Deduction in respect of dependent relatives.	
The Finance Act, 1925:		
Sect. 15 ..	Allowances in respect of earned income and allowances from total incomes of persons of the age of 65 years.	

PART II.

1.—AMENDMENTS OF SECT. 25 OF FINANCE ACT, 1920.

The following shall be substituted for paragraphs (b) and (c) of sub-sect. (1) of the section:—

"(b) The income of the husband and wife shall be aggregated in estimating the amount to be repaid or deducted in respect of the deductions or relief aforesaid, and

such amount shall not exceed the total amount that would have been repaid or deducted on account of such deductions or relief if such application as aforesaid had not been made; and

- "(c) The benefit of any such deduction or relief may be given either by way of reduction of the amount of the tax to be paid or by repayment of any excess of tax which has been paid, or by both of these means, as the case requires, and shall be given to the husband and the wife—

(i) As regards the deduction in respect of earned income in proportion to the amounts of their respective earned incomes;

(ii) As regards any deduction or reduction under sub-sect. (2) of sect. 15 of the Finance Act, 1925, in proportion to the amounts of their respective total incomes;

(iii) As regards any other deductions in proportion to the amounts of tax which would have been payable by them respectively, if the only deductions allowable had been the deduction referred to in the foregoing sub-paragraph (i) or the deduction or reduction referred to in the foregoing sub-paragraph (ii), as the case may be; and

(iv) As regards relief given under sect. 32 of the Income Tax Act, 1918, to the husband or wife, as the case may be, by whom the payment is made:

Provided that in the case of a deduction in respect of a dependent relative or in respect of a child under sub-sect. (2) of sect. 21 of this Act, the deduction shall be given to that one of the married persons by whom the relative or child is maintained."

2.—AMENDMENTS OF SECT. 27 OF FINANCE ACT, 1920.

(i) *Sub-sect. (1).*—In paragraphs (a) and (b) the words "appropriate rate of United Kingdom income tax" shall be substituted for the words "appropriate rate of United Kingdom tax," and the last paragraph of the sub-section shall be omitted.

(ii) *Sub-sect. (3).*—The reference to the relief relating to the rate of tax on the first £225 of taxable income shall be construed as a reference to the relief substituted by Part III of this Act for the relief under sect. 23 of the Finance Act, 1920.

(iii) *Sub-sect. (8).*—Paragraphs (b) and (c) shall be construed as if the references therein to United Kingdom super tax were omitted.

(iv) For the purposes of sect. 27 a person shall not be deemed to have paid or to be liable to pay United Kingdom income tax on such part of his income as is equal to the amount by reference to which he is by virtue of sub-sect. (1) of sect. 37 of this Act granted relief from income tax by means of a deduction of tax.

(v) The words in paragraph (d) of sub-sect. (8) of sect. 27 from "For the purposes of this section" to the end of the section shall cease to have effect, and in lieu thereof the following provisions shall have effect for the purposes of the said section:—

The "appropriate rate of United Kingdom income tax" for any year of assessment shall be as follows:—

- (a) In the case of a person whose income is chargeable at the standard rate only, a rate ascertained by dividing the amount of tax payable by him for that year in respect of his total income (before deduction of any relief granted in respect of life assurance premiums or any relief granted under the provisions of sect. 27 of the Finance Act, 1920) by the amount of his total income less any amount by reference

to which he is by virtue of sub-sect. (1) of sect. 37 of this Act granted relief from income tax by means of a deduction of tax;

- (b) In the case of a person part of whose total income is chargeable at a rate or rates in excess of the standard rate, the sum of the following rates:—

(i) The rate which would have been the appropriate rate in the case of that person if his income had been chargeable at the standard rate only; and

(ii) The rate ascertained by dividing the amount of the sur-tax payable by that person for the preceding year by the amount of his total income for that year:

Provided that, as respects the year 1928-29, this paragraph shall have effect as if for sub-paragraph (b) (ii) thereof there were substituted the following words:—

"(ii) The rate ascertained by dividing the amount of the super tax payable by that person for that year by the amount of his total income from all sources for that year as estimated for super tax purposes."

PART III.

OTHER MINOR AND CONSEQUENTIAL AMENDMENTS OF INCOME TAX ACTS.

Enactments to be amended.	Nature of amendment.
The Income Tax Act, 1918:	
Sect. 48 ..	In sub-sect. (2) the words "standard rate" shall be substituted for the words "highest current rate."
Sect. 108 ..	For paragraph (a) of sub-sect. (1) there shall be substituted the following:— <p>"(a) The names of all persons to or on whom notices ought to the best of his knowledge to be delivered or served in pursuance of this Act."</p> <p>For paragraph (b) of the said sub-sect. (1) there shall be substituted the following:— <p>"(b) The names of all persons who are to the best of his knowledge chargeable within the limits of the assessor."</p> <p>Paragraphs (c) and (d) of sub-sect. (1) shall be omitted.</p> <p>In sub-sect. (2) the words "and that to the best of his knowledge all notices required to be delivered or served have been duly delivered or served" shall be omitted.</p></p>
Sect. 112 ..	After the word "if" there shall be inserted the words "the surveyor or" and for the words "he shall" there shall be substituted the words "the assessor shall"
Sect. 123 ..	For the words "to the assessor of the parish, together with the statement of his profits or gains, for transmission to the surveyor of the district" there shall be substituted the words "together with the statement of his profits or gains, to the surveyor of the district."
Fifth Schedule	For the heading to "No. XVII" there shall be substituted the following:— <p>"Declarations and Statements of Total Income."</p>

**The Finance Act,
1922:**

Sect. 21 .. For the reference to the year of assessment in the proviso to sub-sect. (3) there shall, so far as relates to surtax, be substituted a reference to the year next following the year of assessment.

First Schedule For the reference in paragraph 3 to sub-sect. (6) of sect. 7 of the Income Tax Act, 1918, there shall, so far as relates to surtax, be substituted a reference to the corresponding provision in Part III of this Act.

**SIXTH SCHEDULE.
Enactments Repealed.**

PART I.

Session and Chapter.	Short Title.	Extent of Repeal.
8 & 9 Geo. V, c. 40.	The Income Tax Act, 1918.	Part II as from April 6th, 1929; in the Fifth Schedule paragraphs II to XIV, both inclusive, and paragraph XVI as from April 6th, 1928.
10 & 11 Geo. V, c. 18.	The Finance Act, 1920.	In sect. 33, the definition of "standard rate of tax" as from April 6th, 1928.
13 & 14 Geo. V, c. 14.	The Finance Act, 1923.	Sub-sect. (2) of sect. 29 as from April 6th, 1929.

PART II.

Session and Chapter.	Short Title.	Extent of Repeal.
14 & 15 Geo. V, c. 21.	The Finance Act, 1924.	Sect. 29 as from April 6th, 1928.
63 & 64 Vict., c. 7.	The Finance Act, 1900.	Sub-sect. (2) of sect. 12, except so far as relates to persons dying before April 19th, 1907.
6 Edw. VII, c. 20.	The Revenue Act, 1906.	In sub-sect. (2) of sect. 1 the words "no allowance shall be payable under this section on methylalcohol, but"; sect. 7 so far as unrepealed.
5 & 6 Geo. V, c. 89.	The Finance (No. 2) Act, 1915.	In sub-sect. (1) of sect. 11 the words "as from October 20th, 1915, until August 1st, 1916."
6 & 7 Geo. V, c. 11.	The Finance (New Duties) Act, 1916.	Sub-sect. (1) of sect. 3, in sub-sect. (2) of the said section the words from "on matches" to "quantity and" and from "Provided that" to the end of the sub-section, and sub-sect. (3) of the said section.
10 & 11 Geo. V, c. 18.	The Finance Act, 1920.	Sect. 7.
11 & 12 Geo. V, c. 32.	The Finance Act, 1921.	In sub-sect. (1) of sect. 16 the word "power" wherever it occurs, and sub-sect. (3) of the said section.
12 & 13 Geo. V, c. 17.	The Finance Act, 1922.	In sub-sect. (7) of sect. 21 the words from "and the" to the end of the sub-section as from April 6th, 1928.
15 & 16 Geo. V, c. 36.	The Finance Act, 1925.	In sub-sect. (1) of sect. 3 the words "other than tyres."
16 & 17 Geo. V, c. 22.	The Finance Act, 1926.	Sect. 9.

The Society of Incorporated Accountants and Auditors

42nd ANNUAL GENERAL MEETING.

THE 42nd Annual General Meeting of the Society was held at Cordwainers Hall, Cannon Street, London, E.C. 4, on Thursday, May 19th, 1927.

Mr. THOMAS KEENS, President of the Society, occupied the chair, and was supported by the following members:—Mr. Henry Morgan, Vice-President; Sir Charles Wilson (Leeds), Mr. C. Hewetson Nelson (Liverpool), Mr. A. E. Woodington (London), Mr. W. Claridge (Bradford), Sir James Martin (London), Mr. George Stanhope Pitt (London), Mr. W. Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. E. T. Kerr (Birmingham), Mr. Richard Leyshon (Cardiff), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. William Paynter (London), Mr. A. E. Piggott (Manchester), Mr. J. S. Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. R. T. Warwick (West Hartlepool), Mr. F. Ogden Whiteley (Bradford), Mr. E. Whittaker (Southampton), Mr. W. McIntosh Whyte (London); Mr. W. H. Ashmore (Swansea), Mr. Robert Ashworth (London), Mr. J. H. Bailey (London), Mr. E. Baldry (London), Mr. R. Wilson Bartlett (Newport, Mon.), Mr. J. W. Batley (London), Mr. Norman Booth (Belfast), Mr. J. S. Brittain (London), Mr. A. Chadwick (Bury), Mr. H. P. Church (London), Mr. R. W. L. Clench (London), Mr. F. E. Clements (London), Mr. S. H. Clinch (London), Mr. H. Creighton (London), Mr. W. S. Crouch (London), Mr. H. E. Davis (London), Mr. T. W. Dresser (Leeds), Mr. H. J. Eldridge (London), Mr. P. Farnworth (London), Mr. P. E. Farr (London), Mr. M. J. Faulks (London), Mr. Barrow Fish (Worthing), Mr. C. J. Gladwell (London), Mr. W. A. Godfrey (London), Mr. Alexander Hannah (Liverpool), Mr. C. B. Hewitt (London), Mr. Frederick Holliday (Leeds), Mr. A. H. Hughes (London), Mr. W. J. Jackson (London), Mr. John James (London), Mr. A. T. Keens (London), Mr. H. C. King (Eastbourne), Mr. S. R. Knight (London), Mr. W. H. Law (London), Mr. G. R. Lawson (Bradford), Mr. J. Linahan (London), Mr. E. M. Lomax (London), Mr. E. Luff-Smith (London), Mr. C. C. Lyon (London), Mr. D. Mahony (London), Mr. L. G. Mansfield (London), Mr. F. M. Mather (London), Mr. H. A. Merchant (London), Mr. J. J. Middleton (London), Mr. W. Morris (London), Mr. M. Moustardier (London), Mr. T. H. Platts (Birmingham), Mr. J. A. Plumpton (London), Miss K. A. Popert (London), Mr. E. A. Pounds (Montreal), Mr. W. A. Rainbird (London), Mr. A. A. Rattray (Sydney), Mr. H. Reynolds (Bradford), Mr. W. J. Robins (London), Mr. C. Neville Russell (London), Mr. E. C. Saphin (London), Mr. A. J. H. Shay (London), Mr. T. Holt Soul (London), Mr. R. H. Stafford (London), Mr. W. C. Tuke (London), Mr. E. J. Waldron (Southampton), Mr. Percy H. Walker (Cardiff), Mr. S. I. Wallis (Nottingham), Mr. A. E. Webster (London), Mr. H. C. Wright (London).

The SECRETARY (Mr. Alexander A. Garrett) read the notice convening the meeting; also the minutes of the 41st ordinary general meeting held on May 12th, 1926, and of the extraordinary general meeting held on June 8th, 1926.

The minutes were duly confirmed and signed by the President.

The SECRETARY also read the report of the auditors on the Society's accounts for 1926.

The PRESIDENT, who was received with applause, then formally proposed: "That the report of the Council and the accounts for the year 1926, which have been printed and circulated amongst the members, be taken as read."

The VICE-PRESIDENT (Mr. Henry Morgan) seconded the motion, which was unanimously agreed to.

President's Address.

Ladies and Gentlemen; It gives me peculiar pleasure to move the adoption of the forty-second annual report and accounts of the Society of Incorporated Accountants and Auditors, more especially as this is the first occasion upon which I have had the honour to address the whole of the members of the Society since my colleagues elected me to fill this Presidential chair.

I do not desire to utilise this occasion for a mere recital of the work done and the efforts made by the Council on behalf of the members. This record is set out in the annual report of the Society of which you have a print. There are, however, one or two matters in the report which need amplification, with which I will deal.

EXAMINATIONS.

The examination results are of the greatest interest and importance. The fact that only 43 per cent. satisfied the examiners in the Intermediate and Final examinations in November last gives one cause to think furiously. If we put aside, as we can, a possible explanation—namely, the calibre of our candidates, we are led to this conclusion: that the standard of our examination—is as high as any other comparable body, and that our system of marking is extraordinarily severe.

It is, therefore, a matter of sincere congratulation that our membership has reached a total of 4,700, and that, both as regards education, professional qualification, and standard of conduct, the requirements of the Society are of the highest.

The examinations in May of last year synchronised with the commencement of the general strike. I should like to express the admiration of the Council at the pluck and energy shown by the examinees; many walked over ten miles night and morning to sit, and only 8 per cent. of the total were absent. During the general strike many incidents caused us to feel the greatest pride in our countrymen and women. The occasion showed our people at their best—endurance and hardship cheerfully borne, determination enlivened by whimsical humour, and courage marked with cheerful gaiety. By their remarkable grit our examinees showed themselves to be by no means unworthy sons and daughters of our beloved country. (Hear, hear.)

GENERAL WORK OF THE SOCIETY.

During the past year the Council has given considerable attention to questions of policy and they have initiated certain new developments. The work of the Society has increased enormously in recent years. It has been found impossible for the Secretary, Mr. Garrett, both to deal with the executive business of the Society at the Centre and to continue to make the necessary number of visits to various Branches and District Societies. To meet the situation the Council have created a new office, that of Parliamentary Secretary, and they have appointed thereto Mr. J. R. W. Alexander, M.A., LL.B., Barrister-at-Law. They have every confidence that the new arrangement will facilitate the administration of the Society's business.

ACCOUNTANCY NOT A CLOSED PROFESSION.

I wish to draw attention to the question of admission to the Society's examinations. Normally candidates are admitted after service under articles of clerkship—but a considerable number enter under our Special Bye-laws, which provide for the admission to the Intermediate and Final examinations after six and nine years proved service in accountancy, of candidates who have not had the opportunity to serve articles. These Special Bye-laws have been a source of some criticism, and the matter has been mentioned to me from time to time. The criticisms are by no means confined to people outside the Society. While one cannot determine what the view of the Council may be in future years, this aspect of the Society's present policy demands consideration, and hitherto may not have had all the attention it deserves.

It is stated frequently that the road to accountancy is closed to the boy or girl whose parents lack the necessary means to afford them the opportunity to serve articles.

The argument that boys and girls without means are debarred from professions has been particularly prevalent of late. It is often advanced in the Press; it is made in public statements; it was used in the Senate of the Irish Free State in the debate on the recent abortive Accountants Registration Bill; it was urged against the Dentists Act, and it was brought forward in the House of Commons a week or two ago on the Architects Registration Bill. So far as the accountancy profession and this Society in particular are concerned, the way is open to any young man or woman, having the required standard of education and professional training, who can pass the tests—I admit without apology the very severe tests—which the Society imposes.

At recent gatherings of the profession I have stated the corollary to this aspect of the Society's policy which, addressing as I am the whole of the members of the Society, I consider it necessary to repeat. While the present policy of the Society continues, the statement that the profession is a closed one cannot be maintained, and the newer societies, which seek to justify their existence by this claim, are unnecessary and redundant.

Having said that, however, I would refer to the advantage to practitioners and candidates of the facilities for articled clerks. A recent investigation has indicated that while the number of articled clerks shows a continuous increase, certain of our practising members, in relation to the organisation of their offices, do not take advantage of articles of clerkship to the extent they might and ought. Incorporated accountants in practice can render a most useful service to the profession by taking articled clerks whenever possible, and thus ensure a continuous flow of new blood into the Society. (Hear, hear.)

DISTRICT SOCIETY ORGANISATION.

A valuable addition to the Society's organisation has been made in recent years of a half yearly conference of representatives of District Societies. Arising from the deliberations of those conferences, a scheme for the improvement of District Society organisation has been proposed.

That scheme is now before the Council, and at present I cannot indicate in what particular form it may emerge. But I can say that the main purpose is to give a greater degree of uniformity and cohesion to the organisation of our Branches and District Societies, and to strengthen their financial position.

I regard District Societies as a most valuable part of the Society's organisation. During the year it has been the

pleasure of the Vice-President and myself, with the assistance of some of our colleagues on the Council, to pay visits with the Secretary to many of the District Societies.

I should like to acknowledge the warmth of the welcome extended to us. We were pleased to see evidence of activity and progress which we confidently anticipate will be maintained and extended.

A new departure at Sheffield especially impressed us. I have mentioned the matter before in addresses to various audiences. The Sheffield District Society have arranged joint lectures with the Institute, the Chartered Institute of Secretaries, and the Institute of Bankers, and the experiment has been successful. I trust a similar arrangement may be organised in other centres. It may be that some of the subjects considered are not likely to appear in the examination papers of all the bodies, but the widening of the outlook of our students is all to the good, and must be to their mutual benefit. The advantages to the various bodies are obvious; larger audiences and greater interest are ensured, and the satisfaction of the visiting lecturer is considerably increased.

THE INTERNATIONAL CONGRESS OF ACCOUNTANTS, AMSTERDAM.

The International Congress of Accountants at Amsterdam was an outstanding feature of the year. Representative of the accountancy profession in eighteen countries of Europe, and attended by a strong delegation from the United States, that remarkable gathering made a singular appeal to the imagination. Its conception, organisation and execution were a tribute to the capacity of the President, Mr. Emanuel van Dien, of the Hon. Secretary, Mr. G. W. Frese, and their Dutch colleagues, for whose hospitality I express the indebtedness of the Society.

The Congress was of unique interest from many points of view: particularly it afforded a valuable opportunity for the closest co-operation of all British and Irish Accountants, Chartered and Incorporated. Mr. Pitt being absent on the business of the Society in South Africa, it fell to my lot to lead the delegation of Incorporated Accountants. I acknowledge with much pleasure the courtesy received at the hands of our professional brethren, and particularly from the President of the Institute (Sir Arthur Whinney) and Sir William Plender, and from the officers of the Scottish and Irish bodies of Chartered Accountants.

The papers read were of a high standard, although from a British point of view the discussions might not have reached the same level. One outstanding fact emerged: that, as compared with any other country, Great Britain and Ireland stood apart as having elevated accountancy into a profession with high standards of qualification and rigid discipline. Other countries are working in the same direction. So far as one could ascertain Holland comes second, the United States and Germany follow, and the remainder a long way after.

SOUTH AFRICA.

A reference should be made to the services rendered by Mr. Pitt on behalf of the Society and Incorporated Accountants in South Africa. A detailed statement as to the position of affairs in South Africa is impossible; suffice it to say that the sentiment of nationalism, which has been one of the distinguishing features of the post-war period on the Continent of Europe and other parts of the world, has not left His Majesty's Dominions unaffected.

In South Africa, through the labours of Sir James Martin over thirty years ago, our Society with its world wide

qualification—I emphasise those words "world wide qualification"—has held a commanding place, and includes in its membership some of the most important practising accountants in the Union. A vigorous agitation has been organised for what is called freedom from the control of "foreign organisations." Various Bills have been promoted, new societies have been formed, and the titles of "Chartered Accountant" and "Incorporated Accountant" sought to be used, with the addition of the words "South Africa," by persons who are neither members of the Chartered Bodies nor of the Incorporated Society.

These are among the matters which engaged us last year and are still engaging the attention of the Council. Mr. Pitt endeavoured to deal with them on the spot, and for this purpose journeyed to all the principal cities and towns in South Africa, being absent from England upwards of four months.

It is fitting that I should express our appreciation of the welcome accorded to Mr. Pitt by our two Committees in South Africa, and of the courtesy of the South African General Examining Board.

The cordial thanks of the Council and members of the Society are due to Mr. Pitt for the great services he rendered by undertaking this important and arduous mission." (Hear, hear.)

COMPANIES BILL, 1927.

An important piece of legislation dealing with companies is now before Parliament. The Bill for the most part follows the recommendations of the Company Law Amendment Committee, which was set up by the Board of Trade and presided over by Mr. Wilfrid Greene, K.C., and of which Sir James Martin was a member.

It is my experience that the public do not sufficiently appreciate the value and importance of the services given by members of Royal Commissions and Departmental Committees. The members are nominated by reason of their specialised knowledge and experience; they are frequently very busy professional and commercial men, who cheerfully spend long periods in hearing evidence and in drawing up their report. Substantial public service is rendered in this way.

Let us, therefore, pay our tribute to the members of this Committee, who are to be congratulated on the result of their unremitting labours.

I may be allowed to refer especially to our fellow member and friend of so many years standing, one to whom we are under such tremendous obligation—that great statesman of accountancy, Sir James Martin. (Loud applause.) We recognise, also, the services of those other Chartered and Incorporated Accountants who sat on the Committee or who gave evidence. Special mention should be made of the work of my predecessor in this office, Mr. Pitt. He gave of his best at a time of great stress, brought about by the demands of the Presidential Chair, and his visit to South Africa on behalf of the Society.

I will now invite your consideration of a few matters dealt with in the Bill to amend the Companies Acts of 1908-17, in regard to which your Council has deemed it advisable to make certain representations by way of amendment.

It will be agreed generally that the clauses relating to the issue of a profit and loss account and balance-sheet, the form of the balance-sheet, and the balance-sheet of a holding company, are satisfactory. Some, no doubt, may feel that these provisions might go further, but the Board of Trade have been guided by the advice of their Committee, which

gave exhaustive consideration to all the evidence and suggestions placed before them.

The large company is much in evidence, and we must bear in mind the continuous evolution in the relation of capital to labour, and of supplier to consumer. Therefore, I cannot help feeling that, as time goes on, there will be a demand for greater publicity of the details of profit and loss accounts and the balance-sheets of companies. We all know the objections—the weighty objections—to this suggestion, and I do not discount them. But small shareholders are becoming more numerous and more intelligent; investors and their advisers are increasingly guided by precise information rather than by private tips or market rumour; public policy and economic necessity are gradually changing our conceptions of how much the shareholders and the public ought to know.

It is a matter of satisfaction to the accountancy profession that a clause is included which disqualifies companies and the like from acting as liquidator, auditor or receiver. This provision was inserted in the Bill as a result of the joint recommendation of the Institute and the Society, subsequent to the issue of the Committee's Report. It gives legislative sanction to the accepted principle that the responsibilities of a liquidator, auditor, or receiver, pertain to, and can only properly be discharged by, an individual, and not by any corporate body. This is important because of the recently manifested tendency for certain companies to seek powers to act in one or more of these capacities.

The Bill does not alter in any substantial manner the general position and duties of auditors, except that the making void of indemnity clauses in Articles of Association places upon auditors added responsibilities in regard to the discharge of their present duties. We cannot complain, and we do not seek to shirk the legal and moral responsibility which the law and public opinion enjoin.

I do suggest, however, that some protection is required by the auditor against removal from office. Control of the company is largely in the hands of directors, against whom the auditor has little, if any, remedy. In smaller concerns the pressure on the auditor may be very severe. Further, recent proceedings in an important company show that shareholders, whatever their intentions, are not necessarily fair judges of the conduct of auditors. The position is admittedly unsatisfactory, and although there would be great difficulty in affording the auditor further legislative protection he should not suffer through the proper discharge of his duties. I believe the most effective safeguard to be the maintenance of a high standard of professional conduct between the members of the profession, supported, if need be, by appropriate disciplinary action on the part of the Councils of the leading bodies. I make these statements as a matter of observation and not of complaint. In any case the public may rest assured that Incorporated Accountants will continue to discharge their duties fearlessly.

Finally, I would refer to the greatly increased measure of control which is given to creditors in cases of voluntary winding up, where the directors cannot declare that all debts will be paid in full within six months. In such cases the creditors' meeting has to be held on the same day as, or the day after, the company meeting, so that the time to prepare a proper statement of affairs, insufficient in the past, now becomes quite inadequate. Moreover, in my opinion the procedure suggested places a premium upon touting.

In practice we know how objectionable this kind of thing may be—directed as it is towards the interests of particular individuals rather than those of the creditors and share-

holders. It is further to be observed that the liquidator nominated by the creditors can exclude the shareholders' nominee, and various other powers become vested in the creditors.

My colleagues on the Council are considering this very important question, and we are in consultation with our legal advisers as to what action, if any, it is possible to take in the matter.

INDUSTRY AND COMMERCE.

I want to ask you now to consider with me the modern trend of industry and commerce, which I frankly confess fills me with uneasiness. I refer to the recent amalgamations and mergers which have produced in industry and commerce the nearest approach yet reached to what is popularly known as the American Trust. I have particularly in mind the relative positions of the gigantic undertaking and the more normal sized concern, which, for convenience, I will refer to as the "small business," as opposed to the big business, although frequently it may be of a substantial character.

Sir Alfred Mond has claimed that without the creation of these gigantic undertakings, international agreements would be impossible, and that these international agreements are necessary to avoid wasteful competition. There had been no one, he said, who could speak authoritatively for British industry.

Associations of employers in this country have never been able to ensure unanimity in particular trades, and certainly the community of financial interest produced by an amalgamation is the only way to secure absolute and permanent agreement among those included in the new body. But is this the only thing that matters? The contention is that manufacture on economic lines can only be carried out on a large scale by the great combine. Reduction in overhead charges, economy in selling expenses, increased output and efficient administration, it is argued, secure high wages to the worker and low prices to the consumer. Moreover, the size of the undertaking enables the combine to pursue research work on a very large scale, and to maintain the undertaking in the front rank of its particular industry.

These claims can be admitted, and yet the case is not conclusive.

I am not arguing for the small concern with antiquated premises, out-of-date machinery and behind-the-times management, nor am I opposed to all amalgamations indiscriminately. For some industries under certain conditions, grouping or some form of "trustification" may be necessary. The Royal Commission on Coal found that grouping of mines was an indispensable preliminary to the introduction of improved technical, administrative, and selling methods, and to the reduction of overhead costs. In other industries efficiency and low costs are only compatible with mass production, which presupposes large units of production. Frequently such conditions can only be created by an amalgamation of existing interests, so as to eliminate the least efficient units of production and to concentrate on those which are capable of yielding maximum economic results.

What I do say is, that there is a stage in every industry at which the size of the unit of economic production represents maximum efficiency. When this is reached and the concern grows, other units are merely added, sometimes leading to an increase in cost of production. Therefore, all mergers and amalgamations are not necessarily an advantage, either from an economic point of view or from considerations of public

policy. Further, the character of British production always will be quality, not quantity; variety, not mass.

I suggest that in a large number of smaller concerns there may be an equal if not greater probability of inventive genius among those employed, of improvements in old methods and processes, or the discovery of entirely new ones.

Enterprise in industry and commerce means taking chances, and control eventually must be with those who take the risks. In large concerns the risk is with the shareholders; the actual decisions with the directors and officials. They, as trustees of the capital of a large number of shareholders, tend to adopt a cautious policy and to avoid risks.

Now supposing smaller concerns challenge the new aggregations of capital, will it not require an almost Utopian generosity to prevent their absorption, or the most ruthless of competition to knock them out.

I would also mention that most important factor in commercial and industrial organisation—personnel. The trust movement in America in many forms has often demonstrated the dependence of giant concerns upon the exceptional genius of the man or few men who have built up the undertakings. Their successors are not usually men of the same exceptional capacity; hence, in spite of all obstacles, we see the rise of the competitive smaller firm, the heads of which are impelled by the driving force of individual enterprise.

In a comparatively short time, when the competition of the new business makes itself felt, the inevitable struggle begins, and generally ends in absorption within the trust or a "knockout" blow.

It is frequently stated that amalgamations must be to the national advantage, because the movement commands the approval of the leaders of industry and those of the employed. One phase of political thought in this country has, however, always approved amalgamations of capital as calculated to facilitate the transference of industry to the State—in other words, to pave the way for nationalisation.

So long as the number of smaller concerns be numerous, the transfer might well be politically difficult, and in practice impossible; but with capital aggregated in large impersonal units these difficulties tend to disappear, and the way is made easier for the trust to terminate in nationalisation.

Equally does this apply to distribution. We have recently seen a number of amalgamations in the distributive trades. Here the claims made are not so great as in manufacture; they may be summed up as the advantage of the consumer. I doubt whether these claims are so fully substantiated. The large emporiums of the city should theoretically be able to sell the same goods cheaper, or better articles at the same price, than the smaller provincial retailer. But do they? I doubt it. The only thing that can be claimed is the provision of greater variety in some trades. But what of overhead charges, the cost of enormous and attractive establishments, and the charges for administration? As far as women folk are concerned, the greatest attraction to them is the day or half-day in town shopping, plus a show and a meal. (Laughter.)

What is this to accountants? Surely it is a matter of the greatest concern to our profession. The movement has only to extend for a few years and the work now shared among hundreds of members of the profession will pass to a few big international firms, who themselves, in turn, may become a branch of the Civil Service. (Hear, hear.)

May I, then, put to you the case for the smaller business? The case is not only a modern one, but historic, for when the yeoman and his farm disappeared, the trader and his business, the small manufacturer and his mill, became the economic backbone of England. In my review I include manufacturers and traders and the smaller category of company. "Big business" receives much publicity, "small business" but little, and I believe the strength and the economic advantage of "small business" are insufficiently known and understood. The strength and economic advantage of small undertakings are centred in one or a few persons who directly control them—and these persons must control them from beginning to end. Individual contact with buyers, intimate relations with employees, grasp of all details, personal reputation and a reliance upon quality, are factors of the highest importance. (Hear, hear.) These are elements which make for a large measure of public service and for success in a variety of undertakings, ranging from exporters in our foreign trade to small retailers in the home trade.

The opportunity for enterprise, therefore, is still open to the manufacturer and trader who is quick to decide, can judge his risks and take them. In that direction lies an open field to enterprising men of good average ability who prize independence for its own sake.

But I would state a warning: the smaller business man and manufacturer must keep up to date in all his methods, and not be afraid of capital expenditure. Capital invested in his own business, which he understands, is generally more remunerative than investments outside, which he frequently does not. The accountancy profession has a peculiar and important service to render to "small business" by advice, by counsel, by suggestion based on a wide range of knowledge and experience. We can enable the smaller business man to turn to the best account those economic and personal advantages, which are a valuable inheritance from the characteristic individualism that has made our country what it is.

The aggregate of "small business" in this country is still enormous. Of 95,000 companies on the register on December 31st, 1925, 86,000 were private companies—presumably small—and the average paid up capital of all companies, public and private, was £47,000. Further, of the new companies registered for five years to 1925, 97 per cent. were companies with under £100,000 capital, compared with 94 per cent. for five years to 1913. Add to these the very large number of privately owned undertakings of which, as far as I am aware, statistics are not available, there is ample proof that "small business" is still an enormous and valuable element in our national life, despite the trend towards combination to which I have referred. (Hear, hear.)

THE FUTURE OF THE INCORPORATED ACCOUNTANT.

What is to be the future of accountancy in this country? During the war we learnt that accountancy was a necessary profession which had to be maintained in spite of the tremendous urgency of military requirements. In the post war years the pressure of financial requirements again demonstrated the necessity for the profession. Taxation in this country is mainly direct, and the collection of the enormous imposts would be impossible without the assistance of our profession. The necessity of accurate costing in place of the "rule-of-thumb" methods is now generally acknowledged, and here again the accountant comes in. But, above and beyond all this, there is the place of the accountant as a friend and consultant to the business man in all phases of his undertakings. I assume it is the experience of all my fellow members that within this sphere of activity most has been

done to enhance the reputation of members of the profession. The business man finds in his accountant a man who has a wide knowledge of affairs, a capacity to assimilate the results of his experience, and to apply them to the particular problems by which he is confronted. In my view, therefore, the field of accountancy will continue to extend in future.

No one can accurately foresee the movements of trade and industry, but it is certain that future problems to be solved will include co-partnership in industry, and the status of the worker. When these problems come to be dealt with the accountant will not only be required to state the results in the profit and loss account and balance-sheet, but, if he plays his part as a man of character and capacity, he will be the acknowledged authority whose independent judgment will be accepted by all parties. The responsibility will doubtless be great, but I am perfectly sure that it will be cheerfully shouldered by every Incorporated Accountant, in common with his brethren in the profession. (Loud applause.)

I formally move:—"That the Report of the Council and the accounts for the year 1926 be adopted."

The VICE PRESIDENT (Mr. Henry Morgan): I beg to second the resolution.

The PRESIDENT said that the matter was now open for discussion.

Discussion.

Mr. R. ASHWORTH, F.S.A.A. (London), said he thought those present would agree with him that they had listened to a very able and lucid speech from their President. The speeches given by the Presidents of various societies and by the chairmen of our leading banks were not only read by the members of the various societies or the shareholders, but by a much wider circle, who perused and analysed the speeches with great care to see if there was not something which they could learn from them; he felt certain that while Mr. Keens had emphasised the fact that his speech was an address to the members of their Society, it would appeal to many members of the commercial community. He (Mr. Ashworth) was particularly pleased to hear the President's remarks with reference to the Company Law Amendment Committee. The Committee really worked very hard, there was no doubt about that, and the proof of their work was to be seen in the Companies Bill, 1927. There were many things they had done which were needed badly, and there were one or two things which they had not done which were needed almost as badly. But in the main their work was a monument to the experience of the gentlemen composing that Committee. It would be remembered that in recent years there had been two Departmental Committees in connection with the amendment of Company Law, and accountants had been represented as a profession—the Society in particular by Sir James Martin, who very ably upheld the traditions which the profession had already attained. He was hoping that Sir James Martin would be with them to sit upon the next Amendment Committee—(Laughter.)—to clear up the defects that still obtained—at least in his opinion. Public limited liability companies were the most democratic institutions we had in the country, because all classes were numbered amongst their shareholders. A perusal of the lists of members of most public limited liability companies would show that the tinker, tailor, soldier, sailor, and the butcher and the baker, were all using these companies as a means of investing a part or the whole of their surplus wealth. They had therefore to keep this in mind when dealing with alterations in company law, that as a rule such shareholders had little, if any, knowledge of the rights or liabilities attaching to the membership of such companies. The President had said that there was general satisfaction as to the provisions of the

Bill with regard to balance-sheets, profit and loss accounts, and holding companies' balance-sheets. If the President would forgive him for saying so, he did not think that there was general satisfaction, except with regard to the general provisions relating to balance-sheets. These were very satisfactory, because they now provided that a balance-sheet should show the true position with regard to the nature of the assets and liabilities, and also how the fixed assets had been valued; and, further, they dealt with that form of capital expenditure, such as preliminary expenses, in regard to which efforts were sometimes made to hide under some other name, or in some other account. These had now to be stated separately, and therefore they could have no quarrel with regard to that. But what about the profit and loss account that had now to be laid before a company in general meeting? What was a profit and loss account? It might be either a complete statement of profit and loss, expenditure and income, distinguishing in the income between trading and non-trading income, or it might contain an omnibus item on the debit side in which all the expenditure was aggregated, and on the credit side they might have a similar item bringing into hotch-pot the whole of the income of the concern whether it be trading or non-trading. He submitted that if the profit and loss account to be laid before the general meeting was the latter it would be absolutely futile, and it would tell the shareholders nothing more than they could ascertain from the balance-sheet. Then there was the provision with regard to holding companies' balance-sheets. It would be trespassing on the patience of the meeting if he attempted to go fully into this question, so he would content himself with being so foolish as to predict that our legislature must in the future—he would not say in the near future—close the open stable door after the horse had gone, by making a compulsory provision for some form of amalgamated statement showing the position of the subsidiary companies supplemental to the holding company's "legal balance sheet." Personally, he would prefer to see a statement showing the position of the subsidiaries alone, so that it could be compared with the valuations shown in the balance-sheet of the holding company under the heading "Shares in subsidiaries." Then there was a matter in connection with this new Bill with reference to the use of proxies, or rather, he might say, their misuse. Members of the Society would be aware that proxies were sent out with an intimation to shareholders, who did not know any better, that they should sign and return the same to the company within a stated time, which was done more often than not in pure ignorance. He had attended meetings at which practically the whole meeting had turned down resolutions owing to the fact that information had come to light at those meetings which was not available to the appointers of the proxies, the use of which had enabled the resolutions to be carried; and he was going to suggest—because criticism was of no use unless it was constructive—that in cases where a resolution was defeated by a three-fourths majority on a show of hands the matter should be referred back to the appointers of the proxies to reconsider the question with details of the considerations upon which the resolution was turned down. With those few remarks he wished to congratulate the President on the very able speech which he had given them that day. (Applause.)

Mr. D. MAHONY, A.S.A.A. (London), said there was just one point he wished to refer to, which was perhaps more of a domestic nature than those mentioned by the last speaker: it was the question of the Society's Employment Department. It was a well known fact that clerks in the profession were not paid very princely salaries, and when they wished to change their employment they were forced more or less to

have recourse to certain agencies, which charged particularly heavy fees having regard to the amount of salary. He did not suppose he would suffer in that way himself in the future, because he had ceased to be an employee, but he had suffered in the past, and he thought the real trouble was that he was not aware that the Society had an appointment agency attached to its organisation. He suggested that some method of bringing this employment organisation of the Society to the notice of clerks and members of the Society should be adopted. He made the suggestion respectfully because his own experience was that he had no knowledge or very little knowledge of it when he required it.

Mr. P. WALKER, F.S.A.A. (Cardiff), observed that the two previous speakers had not dealt much with the subject matter of the President's address, or with the report and accounts. He would like, therefore, to mention one point on the accounts, namely, the comparatively small amount the Society distributed to the District Societies by way of grants. The total income of the Society was £18,800 last year, and yet they only distributed to the District Societies, which were the most living organisms of the Society, the very small proportion of 3.3 per cent. of their income. The Sister Society—the Chartered Accountants—distributed from 5 to 6 per cent., and he submitted to the Council of their Society that it would be a very good example to follow if they tried to distribute to the District Societies not less than 5 per cent. of their total income. Five per cent. would amount to £940, and that would mean an increase of 50 per cent. in the amount distributed. He thought that increase might very well be spent on the various District Societies to help them to carry forward their work, and to fight the very hard battle which the Incorporated Accountant still had to fight in the Provinces to let it be known that his qualification was every bit as good as that of any other body. With those few remarks he wished to say how much pleasure he had derived from the most wonderful address that the President had given them, which stood out as a facet among all the addresses he had heard.

Mr. L. G. MANSFIELD, F.S.A.A. (London), said there was one point in the President's address with which he heartily agreed, and that was on the question of articled clerks. As the President had said, this matter was now under serious consideration by the profession. It was very suggestive that it had been mooted in correspondence appearing in the *Accountant* that articles should now be abolished. Personally he did not agree with that, but it showed the wisdom and foresight of the founders of this Society when they opened the door to men who had had actual experience in the accountancy profession. He, for one, would be very sorry to see the day when that door would be closed.

The PRESIDENT said he did not think there was anything in the discussion which really called for reply. He had tried to take, with regard to the findings of the Committee on the Companies Acts, a middle position. It was no use supposing that in a matter of this description they could get everything they wanted from a professional point of view. On the whole, he thought it might be said that opinion generally was along the lines he had suggested; on the other hand it was always open to individual members of the profession to disagree. Their own Parliamentary Committee was disagreeing with many of the provisions. With respect to the employment organisation, he thought it was very well known, but if anything could be done in the way of publicity in the *Journal* it would be done. With regard to Mr. Walker's remarks, Mr. Walker knew as well as he (the President) did that the whole question of the

organisation of the District Societies was in the melting pot. He was quite sure that Mr. Walker would never allow the Council to remain ignorant of the claims of the District Societies. (Laughter.)

The resolution was then put to the meeting and carried unanimously.

THE COUNCIL.

Mr. C. HEWETSON NELSON, F.S.A.A. (Liverpool), moved: "That the following members of the Council be re-elected:—London: Mr. George Stanhope Pitt, Mr. William McIntosh Whyte, Mr. Arthur Edwin Woodington. Provinces: Mr. William Bateson (Blackpool), Mr. William Claridge (Bradford), Mr. Thomas Keens (Luton), Mr. Percy Toothill (Sheffield), Sir Charles Wilson (Leeds)." It would be observed, he said, that the list contained the present President and four ex-Presidents—and probably some prospective Presidents. (Laughter.) He commended the list to their confirmation for the excellent and persistent work which one and all in their several capacities had done for the Society of Incorporated Accountants.

Mr. FREDERICK HOLLIDAY, F.S.A.A. (Leeds), said he had very much pleasure in seconding the resolution. As Mr. Hewetson Nelson had pointed out, the majority of these gentlemen were Past Presidents, and what he was still more delighted to find was that Yorkshire was so well represented on the list and that Yorkshiremen had done such yeoman service. When they thought of what Sir Charles Wilson had done in Leeds, and Mr. Claridge in Bradford, and Mr. Toothill in Sheffield, those could only be ignorant who would say "Shame" when their names were mentioned. (Laughter.)

The resolution was unanimously agreed to.

The PRESIDENT then moved: "That Mr. William Paynter (Fellow in Public Practice, London) (Spence, Paynter & Morris) be elected a member of the Council, having been previously appointed to fill an occasional vacancy in accordance with Article 48."

Mr. EDWARD BALDREY, A.S.A.A. (London), seconded the motion, which was carried unanimously.

Mr. WILLIAM PAYNTER, F.S.A.A., said he was very much indebted to the Society for having done him the honour of electing him on the Council, and he would always do what was in his power to promote the Society's interests.

The VICE-PRESIDENT said he had to propose the election as a member of the Council of Mr. Henry John Burgess (Fellow in Public Practice, London) (H. J. Burgess & Co.). There was no member of the Council, he said, who could have the same personal pleasure as he had in proposing this resolution; he need not explain further his reasons for saying that, because they were known to most of the members. He was convinced that in Mr. Burgess they would have on the Council one who had the interests of the Society at heart.

Mr. ALAN STANDING, F.S.A.A. (Liverpool), said it gave him very great pleasure to second the proposal.

The motion was unanimously adopted.

Mr. H. J. BURGESS, in reply, said he had to thank the Vice-President for the kind words he had spoken, and the members generally for electing him to the Council. He would continue to do everything in his power to further the interests of the Society. For the benefit of Mr. Holliday and any other member from Yorkshire, he would like to say that, although born in the City of London, his mother was a Yorkshire woman. (Laughter.)

The PRESIDENT said it now gave him great pleasure to propose that Mr. Ernest Tritschler Kerr (Fellow in Public Practice, Birmingham) (Ernest T. Kerr & Co.) be elected a member

of the Council. Mr. Kerr was a man in good practice and a well-known public man in Birmingham, and his nomination that day was the result of a visit which he (the President) made to the Midlands some little time ago with a view to endeavouring to get greater interest taken in the work of the Society. Mr. Kerr, although not particularly anxious to do so, consented to come forward, and was made chairman of the District Society, and he had offered his services to the Council.

Mr. GEORGE STANHOPE PITT said he had great pleasure in seconding the nomination.

The resolution was unanimously adopted.

Mr. ERNEST T. KERR, F.S.A.A., in thanking the members very much indeed for electing him to the Council, said he certainly thought the Society of Incorporated Accountants in Birmingham wanted to be a little more progressive, and they were going to see what they could do with it. He was amused to hear Mr. Holliday's reference to Yorkshire, because he (Mr. Kerr) was born in Yorkshire although he lived in Birmingham. (Laughter.)

ELECTION OF AUDITORS.

Mr. NORMAN BOOTH, F.S.A.A. (Belfast), said he had great pleasure in proposing: "That Mr. Robert Heatley, Incorporated Accountant (Manchester), be re-elected an Auditor of the Society at a remuneration of twenty guineas per annum, and travelling expenses to be paid in addition."

Mr. ALEXANDER HANNAH, F.S.A.A. (Liverpool), seconded the resolution.

Mr. P. WALKER, F.S.A.A. (Cardiff), called attention to the fact that the auditors were still being paid on a pre-war basis, and wished to know if he would be in order in recommending that the remuneration should be re-considered.

Mr. C. HEWETSON NELSON (Chairman of the Finance Committee) said he was much obliged to Mr. Walker for his suggestion, and if the proposer and seconder of the resolution would agree to substitute thirty guineas for twenty guineas, he, as Chairman of the Finance Committee, would venture to accept it.

The suggestion was approved, and the resolution carried unanimously as amended.

Mr. D. MAHONY, A.S.A.A. (London), said he had great pleasure in proposing: "That Mr. Arthur Henry Hughes (Fellow in Public Practice, London) (Hughes & Allen), who has been nominated in accordance with Article 92, be elected an Auditor of the Society in accordance with Article 84, at a remuneration of thirty guineas per annum."

Mr. WALKER seconded the motion and said he had not the pleasure of knowing Mr. Arthur Henry Hughes, but he was confident that any Incorporated Accountant was fit for any work he undertook. (Laughter.)

The resolution was carried unanimously.

VOTE OF THANKS TO THE PRESIDENT.

Sir JAMES MARTIN, F.S.A.A., said that this was the forty-second annual general meeting of the Society, and he was happy to say that he had been present at the whole forty-two; consequently he had listened to forty-one speeches and had made one himself. He did not, however, hesitate to say that the speech they had heard delivered from the chair that day would rank very favourably with any speeches delivered by previous Presidents of the Society. (Hear, hear.) He did not think Mr. Keens would expect him to agree with every word that he had said, and it was unnecessary that he should do so, but the standpoint from which he so strongly approved Mr. Keens' speech

was the standpoint of the individual member of the Society—the man who needed protection, the man really in whose interests the Society was originally founded. He felt sure that when Mr. Keens' speech was read throughout the length and breadth of the Society all those who read it would come to the conclusion that the Council to-day, as in the past, would stand up for and maintain each member's interests. He had known Mr. Keens in even a wider sphere of life than accountancy. He had for many years taken the greatest interest in the industry and commerce of this country, and he (Sir James) was quite certain that one of the manufacturing towns in England owed not a little of its present prosperity to Mr. Keens. Under those circumstances he had the greatest pleasure in moving a vote of thanks to Mr. Keens, not only for his address that day, but for all the services he so freely and willingly gave to the Society. (Applause.)

Mr. A. E. WOODINGTON, F.S.A.A., said he agreed with everything Sir James Martin had said, and seconded the vote of thanks with great pleasure.

The vote of thanks was carried with acclamation.

The PRESIDENT, in reply, said he had to thank first of all Sir James Martin for the extremely kind words he had used, and the members generally for the way in which they had accepted his motion. He must confess that he had felt in a little difficulty that day in doing what he never did—using a manuscript instead of speaking freely. A very great Englishman, who was 84 years old this week, would always be noted in history for the fact that on an occasion like this he handed his manuscript over to the reporters, and said "Now I can say what I dam well like." (Laughter.) That was the sort of sentiment that had animated him that day. He wanted to get free from the manuscript in order to express himself freely, but he felt that he was there in a representative capacity and that a loose word might damage the Society. He thanked them for the way in which they had received the vote of thanks, and trusted that the Society would have even greater prosperity than in the past, and he knew that the Council might be assured of the enthusiastic co-operation of the members in any scheme which they might initiate for its benefit. (Applause.)

The proceedings then terminated.

42nd ANNUAL REPORT.

The Council have pleasure in submitting to the members their 42nd Annual Report.

NEW MEMBERS ELECTED.

During the year 1926 the names of 260 new members were entered upon the Society's roll, and 100 Associates were advanced to the degree of Fellow. At the dates of election they were resident in the following countries:—

		Fellow.	Associates.	Total.
England and Wales ..	..	1	218	219
Scotland ..	..	—	3	3
Ireland ..	..	—	10	10
Canada ..	..	—	1	1
South Africa ..	..	—	17	17
India ..	..	—	2	2
Singapore ..	..	—	2	2
Kenya Colony ..	..	—	1	1
South America ..	..	—	2	2
France ..	..	—	2	2
Germany ..	..	—	1	1
Total ..	..	1	259	260

ASSOCIATES ADVANCED TO FELLOWS.

England and Wales	88
Scotland	2
Australia	3
South Africa	5
India	2

100

The figures for the past three years are as follows:—

	1924.	1925.	1926.
New Members elected	363	307	260
Associates elected Fellows ..	147*	56	100

NUMBER OF MEMBERS ON THE ROLL AT CLOSE OF YEAR.

The total number of members on the roll on December 31st last was 4,633, and consisted of 1,333 Fellows, 3,296 Associates and 4 Honorary Members. Two Fellows also held rank as Honorary Members.

OBITUARY.

The Council regret that the deaths of 35 members (17 Fellows and 18 Associates) were notified in 1926.

EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final examinations was 1,561, of whom 774 passed and 787 failed.

The following are the comparative figures for the past three years:—

	Total.	Passed.	Failed.
1924	1,457	888	569
1925	1,518	844	674
1926	1,561	774	787

Prizes and Honours Certificates were awarded to the following candidates:—

FINAL EXAMINATION.

1st Certificates of Merit—

Sanderson, James Benjamin, A.S.A.A., Bishop Auckland (May, 1926) (Prize).

Tompson, Frederick Arthur, A.S.A.A., London (Nov., 1926).
(Disqualified for Prize by age limit.)

2nd Certificates of Merit—

Bhargava, Murari Lal, B.Sc., LL.B., A.S.A.A., London (May, 1926) (Prize).

Kempson, Ernest Arthur, A.S.A.A., London (November, 1926) (Prize).

3rd Certificates of Merit—

Farrington, Henry Constantine, A.S.A.A., Manchester (May, 1926) (Prize).

Bickerton, Herbert Edward Standen, A.S.A.A., London (November, 1926) (Prize).

4th Certificates of Merit—

Saxton, Clifford Clive, A.S.A.A., Barnsley (May, 1926).

Atkinson, Doris Marjorie, Leeds (November, 1926).

5th Certificate of Merit—

Carlisle, Charles Frederick, A.S.A.A., Nottingham (May, 1926).

6th Certificate of Merit—

Price, Frank Edward, A.S.A.A., Newport, Mon. (May, 1926).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

Paine, Norman, London (May, 1926) (Prize).

Dornan, Joseph, Belfast (November, 1926).
(Disqualified for Prize by age limit.)

2nd Place Certificates—

Mark, John Bell, Carlisle (May, 1926) (Prize).

Bowyer, Samuel John, London (November, 1926).
(Disqualified for Prize by age limit.)

3rd Place Certificates—

Wyer, Reginald Edward, Bury St. Edmunds (May, 1926).

Brindle, Thomas, Bolton (November, 1926) (Prize).

4th Place Certificate—

Perry, Charles Eben, Manchester (May, 1926).

5th Place Certificate—

Cheetham, Frank Edward, Stoke-on-Trent (May, 1926).

6th Place Certificate—

Myers, Maurice, Leeds (May, 1926).

PRELIMINARY EXAMINATION.

1st Place Certificates—

Smith, Harold Louis Pottier, London (May, 1926).
(Disqualified for Prize by age limit.)

Whiteman, Victor, Cheddleton (November, 1926) (Prize).

2nd Place Certificate—

Steele, Wilfred, Leeds (May, 1926) (Prize).

GOLD AND SILVER MEDALS.

The Council have awarded the Society's Medals for 1926 as follows:—

Gold Medal to Mr. James Benjamin Sanderson, Bishop Auckland.

Silver Medal to Mr. Ernest Arthur Kempson, London. Mr. Frederick Arthur Tompson, London, was disqualified from receiving a Gold Medal by the age limit imposed by the Council.

INTERNATIONAL CONGRESS OF ACCOUNTANTS, AMSTERDAM, 1926.

In the absence of the President in South Africa, the then Vice-President of the Society, Mr. Thomas Keens, headed a delegation of members of the Society and their ladies to the International Congress of Accountants held in Amsterdam in July, 1926, which was organised by a committee of Dutch members of the profession practising in Holland.

The President of the Congress was Mr. Emanuel van Dien, Amsterdam, and the Vice-President of the Society was one of the Presidency Committee, the members of which took the chair at the respective sessions of the Congress. Those participating in the proceedings were brought into touch with professional accountancy as practised in different parts of the world, nineteen countries being represented.

Papers were submitted to the Congress by Mr. C. Hewetson Nelson, F.S.A.A. (Past President), on "Standard Costs as a basis of Management and Industrial Control," and by Mr. F. Ogden Whiteley, O.B.E., F.S.A.A., on "The Accounts of Local Authorities."

The Council desire to place on record the substantial contribution which the Congress made to the advancement of the accountancy profession wherever it is practised.

Re-union functions in London were given during November, 1926, when the Council entertained the President and Hon. Secretary of the Congress and their ladies and a

number of representative Chartered Accountants who had participated in the proceedings at Amsterdam.

Inscribed votes of thanks were presented by the Council of the Society to Mr. E. van Dien, President, and Mr. G. W. Frese, Hon. Secretary of the Congress.

The Council also elected Mr. E. van Dien an Honorary Member of the Society.

COMPANY LAW REFORM.

The Committee on the Companies Acts, set up by the President of the Board of Trade, published its report in 1926. Important recommendations have been made in respect of the amendment of company law, and a Bill, based upon the report, is being introduced into Parliament during the current Session.

Subsequent to the publication of the report, a joint deputation of representatives of the Institute of Chartered Accountants and of the Society waited upon the President of the Board of Trade and made representations to him in regard to matters of interest to the profession.

BILLS IN PARLIAMENT.

The Council watched the progress of Bills in Parliament in the past Session, and took action as necessary in the protection of the Society's interests.

A deputation waited upon the Electricity Commission in regard to accounts and audit under the Electricity Bill, which has subsequently passed into law.

LAW OF PROPERTY (AMENDMENT) ACT, 1926.

The Council forwarded a communication to the Lord Chancellor requesting that an amendment of the Law of Property (Amendment) Bill, 1926, might be made to protect a trustee under a deed of arrangement or a trustee in bankruptcy, and to simplify procedure where he became possessed of real property or rights to real property.

The recommendation of the Council was accepted, and has been embodied in an amending Act.

COMMITTEE ON ARBITRATION.

The Lord Chancellor set up a Committee to consider the law and practice of commercial arbitration. Sir James Martin, F.S.A.A., was appointed a member of this Committee, and a Memorandum of Evidence was submitted on behalf of the Society by Mr. C. Hewelson Nelson (Past President).

CONDUCT OF PRACTICE.

Special consideration has been given to a number of questions arising in connection with the conduct of the public practice of the profession, in regard to which the Council have been in consultation with the District Societies, with a view to the determination of future policy.

THE PROFESSION IN IRELAND.

A measure for the registration of the accountancy profession in the Irish Free State, promoted by the Institute of Chartered Accountants in Ireland and the Society of Incorporated Accountants in Ireland (Irish Branch), was introduced into the Senate of the Irish Free State, but was rejected on a division by a small majority. It is not proposed to proceed further in the matter.

Mr. Arthur Collins (a member of the Council) and the Secretary paid a visit to the Irish Branch and to the Belfast District Society of Incorporated Accountants, and conferred with the respective Committees in regard to the Society's business in Ireland. They were hospitably entertained by the members of the Irish Branch and by the Belfast District Society.

SOUTH AFRICAN BRANCHES.

At the request of the Council, the ex-President (Mr. George Stanhope Pitt) paid a visit to South Africa and discussed with the Committees and members in the various centres the professional situation in the Union created by the withdrawal from the South African Parliament of the South African Society of Accountants' Bill. Mr. Pitt also met the General Examining Board of the South African Societies of Accountants.

Mr. Pitt's visit will enable the Council to maintain closer touch with the Society's South African Committees, and to deal more effectively with questions of policy upon which advice is required from time to time.

AUTUMNAL CONFERENCE.

An invitation from the Manchester and District Society of Incorporated Accountants to hold an Autumnal Conference in Manchester during the last week of September has been cordially accepted on behalf of the members.

ALTERATION TO SOCIETY'S ARTICLES.

Extraordinary General Meetings of Members were held in 1926 to sanction certain amendments and additions to the Society's Memorandum and Articles of Association.

The High Court of Justice confirmed the alterations in the Society's Memorandum.

ACQUISITION OF BUILDING FOR HEAD OFFICE.

Negotiations have been actively followed with a view to obtaining suitable headquarters for the Society. A definite decision has not yet been arrived at.

BRANCH AND DISTRICT SOCIETY ORGANISATION.

The Council desire to record with satisfaction the development of the work of the Branches, District and Students' Societies throughout the country, the activities of which have considerably increased.

Conferences of representatives of District Societies with members of the Council have been held in London. A committee nominated by this conference have prepared a scheme for District Society organisation, which the Council have under consideration.

The President, Vice-President, members of the Council and Secretary have attended meetings of the Scottish Branch and of District and Students' Societies. New District Societies have been formed for Cumberland and Westmorland, and for Swansea and South-West Wales, and approval has been given for the establishment of an Incorporated Accountants' Students' Society in Dublin.

MEMBERS OVERSEAS.

Communication has been maintained with the respective Committees of Incorporated Accountants in the British Dominions and with members engaged professionally in foreign countries, whose advice in regard to overseas matters the Council desire to acknowledge.

CITY OF LONDON COLLEGE.

The Council nominated Mr. Edward Cassleton Elliott as a member of the Governing Body of the City of London College, in the place of Mr. George Edmund Pike, resigned.

EXAMINERS.

Mr. William Claridge, M.A., F.S.A.A., Bradford, intimated to the Council a desire that his name should not go forward for re-election as an Examiner. The Council received the intimation with regret, and passed a resolution of thanks to Mr. Claridge for his valuable services as Examiner in accountancy subjects, first in the Intermediate examination and subsequently in the Final examination, extending over a period of seventeen years.

The Council elected Mr. W. Norman Bubb, F.S.A.A., London, Intermediate Examiner, to be a Final Examiner in accountancy subjects, and Mr. Robert Ashworth, F.S.A.A., A.C.A., was appointed to fill a vacancy as Intermediate Examiner. Mr. J. Rissik Marshall, B.A., LL.B., resigned the Examinership in Scots law, and Mr. Walter Haig Stevenson, M.A., LL.B., Advocate, Edinburgh, was elected in his place.

PRESIDENT AND VICE-PRESIDENT.

Mr. Thomas Keens, of Luton, Bedford and London, and Mr. Henry Morgan, London, were unanimously elected to the respective offices of President and Vice-President at a meeting of the Council held in July, 1926.

COUNCIL.

London vacancies on the Council have been created by the resignation of Mr. George Edmund Pike and Colonel James Grimwood, C.B., D.S.O., and a Provincial vacancy by the resignation of Mr. Joseph William Blackham, Birmingham, all of whose services for a long period of years their colleagues desire to acknowledge.

The vacancy due to the resignation of Mr. G. E. Pike has been filled by the appointment of Mr. William Paynter (Fellow in Public Practice), London, whose name the Council submit to the members, in accordance with Article 48. The Council propose that the two remaining vacancies shall be filled at the Annual Meeting.

The following members of the Council retire under Article 49, and, being eligible, offer themselves for re-election:—

London.

Mr. George Stanhope Pitt.
Mr. William McIntosh Whyte.
Mr. Arthur Edwin Woodington.

Provinces.

Mr. William Bateson, Blackpool.
Mr. William Claridge, Bradford.
Mr. Thomas Keens, Luton.
Mr. Percy Toothill, Sheffield.
Sir Charles Wilson, Leeds.

At the 41st Annual General Meeting held in May, 1926, the then existing vacancies on the Council were filled by the election of Mr. Edward Cassleton Elliott (Fellow in Public Practice), London; Mr. Walter Holman (Fellow in Public Practice), London, and Mr. Ralph Thomas Warwick (Fellow in Public Practice), of West Hartlepool, Stockton-on-Tees and London.

AUDITORS.

The retiring auditors are Mr. Henry John Burgess, London, and Mr. Robert Heatley, Manchester. Mr. Henry John Burgess has intimated that he desires to resign the auditorship of the Society. The Council will ask the members to fill the vacancy for a London auditor at the Annual General Meeting.

FINANCE AND ACCOUNTS.

The accounts for 1926, duly audited, annexed to this report, show a surplus on the year of £5,492 0s. 4d.

A sum of £5,000 has been added to the Building Fund, which now stands at £15,000.

THOMAS KEENS,
President.

HENRY MORGAN,
Vice-President.

ALEXANDER A. GARRETT,
Secretary,

50, Gresham Street, London, E.C.2.

March 24th, 1927.

Dr.

REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31st, 1926.

Cr.

EXPENDITURE.	£	s.	d.	INCOME.	£	s.	d.
To Travelling Expenses of Members of the Council, including visit of President to South Africa	1,228	9	11	By SUBSCRIPTIONS	10,132	10	0
„ Rent	886	2	0	„ ENTRANCE FEES—			
„ Housekeeper, Lighting, Telephone, &c. ..	221	18	0	101 Fellows	540	15	0
„ Salaries	3,566	6	7	259 Associates	2,719	10	0
„ Stationery and Printing, including Year Book	1,874	11	1		3,260	5	0
„ Postages and Telegrams	285	11	7	„ EXAMINATION FEES	3,881	17	0
„ Decorations and Repairs	48	6	6	„ DIVIDENDS ON INVESTMENTS (less Tax) ..	1,077	6	1
„ Miscellaneous Expenses	352	16	6	„ SUNDRY FEES, &c.	268	12	3
„ Legal Expenses	254	10	5	„ HIRE OF ROOMS	100	18	6
„ Advertisements	350	14	4	„ CONTRIBUTION FROM Incorporated Accountants' Journal TOWARDS OFFICE EXPENSES ..	100	0	0
„ Expenses of Examinations	2,709	9	6				
„ Examination Prizes and Medals	82	9	0				
„ Grants to District and Students' Societies	627	16	6				
„ Auditors' Fees and Expenses	46	8	4				
„ Subscriptions and Contributions to Chambers of Commerce	45	13	6				
„ Expenses in connection with International Congress of Accountants	376	16	7				
„ Corporation Duty	49	19	1				
„ Depreciation of Furniture and Library ..	321	9	1				
„ Balance, being surplus of Income over Expenditure for the year	5,492	0	4				
	£18,821	8	10		£18,821	8	10

Dr.	BALANCE SHEET, DECEMBER 31ST, 1926.				Cr.		
	£	s.	d.		£	s.	d.
To SUNDRY CREDITORS	1,978	17	7	By CASH AT BANK OF ENGLAND—			
„ Subscriptions for 1927 (paid in advance) ..	222	1	6	On Current Account			978 17 9
„ Examination Fees (paid in advance) ..	318	3	0	„ INVESTMENTS AT COST—			
„ Building Fund	15,000	0	0	£6,000 Os. Od. 4½% Conver-			
„ REVENUE ACCOUNT—				sion Stock, 1940-44 ..	5,461	13	3
Balance at December 31st,				£13,000 Os. Od. 3½% Conver-			
1925	£14,601	13	1	sion Stock, 1961 ..	9,774	2	1
Add Surplus for 1926 ..	5,492	0	4	£300 Os. Od. 3½% War Stock,			
				1925-28	285	0	3
	20,093	13	5	£3,300 Os. Od. 4% Funding			
Less Transferred to Building				Stock, 1960-90 ..	2,786	16	6
Fund.. .. .	5,000	0	0	£1,129 7s. 2d. 3½% India Stock	1,272	4	3
	15,093	13	5	£550 Os. Od. 4% Union of			
				South Africa Consolidated			
				Stock, 1943-63 ..	547	7	0
				£800 Os. Od. 6% New South			
				Wales Conversion Loan,			
				1930-40	779	2	0
				£1,000 Os. Od. 4% New South			
				Wales Stock, 1933 ..	915	2	0
				£550 Os. Od. 3½% New South			
				Wales Stock, 1930-50 ..	535	13	3
				£500 Os. Od. 3½% Queensland			
				Stock, 1950-70 ..	478	3	6
				£550 Os. Od. 5% Victoria			
				Stock, 1945-75 ..	524	13	3
				£1,000 Os. Od. 4% New Zealand			
				Stock, 1933-43 ..	917	12	0
				£500 Os. Od. 4½% New Zealand			
				Stock, 1944 ..	476	18	6
				£1,000 Os. Od. 4½% New Zea-			
				land Stock, 1945 ..	942	12	0
				£250 Os. Od. 3% Local Loans			
				Stock	248	16	0
				£600 Os. Od. 3% London			
				County Consolidated Stock	517	12	0
				£200 Os. Od. 3% Nottingham			
				Corporation Stock, 1920-60	192	0	0
				£500 Os. Od. 3% Leeds Cor-			
				poration Stock ..	463	7	0
				£300 Os. Od. 4½% Edinburgh			
				Corporation Stock, 1940-60	291	6	0
				£200 Os. Od. 3½% Met. Ry.			
				Deb. Stock ..	270	18	6
				£900 Os. Od. 4% L.&N.E. Ry.			
				Deb. Stock ..	1,104	11	6
				£261 Os. Od. 4% L.&N.E. Ry.			
				First Pref. Stock ..	326	0	0
				£100 Os. Od. 4% L.&N.E. Ry.			
				Second Guar. Stock ..	126	0	0
				£500 Os. Od. 4% L.&N.E. Ry.			
				Second Pref. Stock ..	637	2	0
				£150 Os. Od. 5% G. W. Ry.			
				Guar. Stock ..	248	19	0
				£13 2s. 2d. Madras Railway			
				Annuity, Class B ..	357	8	6
				(Market value of Investments,			
				31/12/26, £28,190 10s. 7d.)			30,481 0 4
				„ Furniture and Fittings ..			300 0 0
				„ Library			350 0 0
				„ Sundry Debtors and Dividends accrued			502 17 5
							£32,612 15 6
							£32,612 15 6

THOMAS KEENS, President.

C. HEWETSON NELSON,
Chairman of Finance Committee.

THOMAS KEENS, *President.*C. HEWETSON NELSON,
Chairman of Finance Committee.

£32,612 15 6

AUDITORS' REPORT TO THE MEMBERS.

We beg to report that we have examined the foregoing Accounts, together with the books and vouchers of the Society, and that we have obtained all the information and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society. We have also verified the Investments and Cash Balances.

HENRY J. BURGESS, } *Auditors.*
ROBERT HEATLEY, }
Incorporated Accountants.

LONDON, April 8th, 1927.

Loss of Profits Insurance.

A LECTURE delivered before the South of England District Society of Incorporated Accountants and Auditors by

MR. T. H. RICE, A.C.I.I.

(Of the Palatine Insurance Company, Limited, Southampton Branch.)

MR. RICE said: Mr. Chairman and gentlemen; I am grateful to you for the opportunity to analyse briefly the provisions of insurance against loss of profits due to fire, because traders generally do not yet realise the importance—one might say, necessity—of such protection, and it is on the accountancy profession that they rely, in no small measure, for prompting and advice on such a question.

When the man appears that really understands profits insurance it is hoped that he will be swiftly consigned to the institution which is alleged to contain the man who understands income tax.

The history of profits insurance is one of slow development from crude and unscientific beginnings, and it is generally conceded by insurance companies that the process of adaptation to commercial requirements is still continuing, and that the phraseology of the policy of to-day, inelastic and tightly compressed as it is, will yield in due course to an expression of greater simplicity; but that such adaptation must be a slow and natural evolution will be apparent to any student who makes an attempt to alter the existing form.

The first policy of profits insurance was written in Alsace nearly 70 years ago, and was known as *chômage* insurance. The French dictionary defines *chômage* as "stoppage," and this policy was a contract to pay an agreed percentage or excess of any loss sustained under a fire policy insuring the material risk, *e.g.*, a fire insurance policy is effected for £10,000 and a percentage policy for, say, £1,000; in the event of a loss, the percentage policy would pay 10 per cent. of the fire claim. This form of policy has not survived except in special cases) because

(1) It violated the principle of indemnity which is vital to all contracts of insurance;

(2) It was considered *unsound*, because in fire insurance, as in the ordinary affairs of life, an effect is seldom proportional to the cause originating it, and there is actually little relation between the material damage caused by fire and the indirect loss it may occasion. For instance, if one-half the machinery in a factory were destroyed it would be extraordinary if the profits loss was not more than 50 per cent.; in fact, it is frequently entirely out of proportion to the fire loss.

(3) It was considered *unsafe*, because the effect of such a policy is to put a premium on out of date stock.

The fundamental objection to such a form of insurance is that it ignores trade fluctuations—the law of supply and demand.

"Percentage" fire loss policies are issued at present, but the concession is confined to merchandise in public warehouses, docks and wharves. Such policies limit the amount payable to 10 per cent. of the fire loss, and are issued on condition that the principle of indemnity is maintained. The percentage therefore will not be payable automatically on settlement of the fire claim, but actual loss will have to be proved by the merchant by showing loss of contracts, fall in turnover, the payment of special expenses consequent on the fire, the necessity of replacing the destroyed goods by others at a higher cost, or by some other method. Before analysing the

scientific form of policy in use to-day, it is important that it be clearly understood that there are three essential principles underlying the contract:—

First, that it insures loss arising from fire, and from no other cause;

Secondly, that it is a contract of indemnity;

Thirdly, that it is subject to average.

As to the first principle, it will be acknowledged that many circumstances may arise after the insurance has commenced, or during the period of indemnity, which affect the loss but which do not arise out of the fire. Take for example, the case of a "strike." If a strike is in progress at the time of a fire, the output or turnover would have been reduced or stopped had the fire not occurred, and therefore the shortage in output or turnover would not be in consequence of the fire but merely coincident with it, and it would not be reasonable to expect a fire insurance company to pay under a fire (profits) policy for loss inevitably due to such a cause.

Secondly—the principle of indemnity operates so that the insured shall not recover a greater amount than he has actually lost, as a result of fire—full insurance guarantees that insured shall not lose. This principle needs no enunciation.

Thirdly—the insurance is "subject to average." That is to say, the amount recoverable will be proportionate to the extent of the insurance, so that when only a partial insurance has been effected, a *pro rata* proportion of a loss is borne by the insured.

The principle of average is so reasonable that one would not expect controversy to arise from it, but the under-insured who suffer a loss do not always see the logic of a clause which deprives them of full protection when they have paid for partial protection only.

The company is to be regarded as the administrator of a fund provided by the premiums, with a responsibility to secure for the fund it administers a contribution proportionate to the burden of risk imposed on it, so that it is at all times in a position to discharge its liability of rightful claims.

If all policy holders conspired to reduce the sum insured by their policies by one-half the present volume of premiums would be insufficient to meet the claims which would arise, because, whilst the company's resources would be halved, its claims would not substantially diminish, as a very small percentage of claims are total losses. Therefore, the cost of insurance—which, after all, must fall ultimately on the insuring public—is increased if a proportion of insurers evade a contribution commensurate with the risk they bring, and it is to prevent this under-insurance and disproportionate contribution that the condition of average is made part of the contract of insurance.

A loss of profits policy could be suitably termed "insurance against shortage of turnover," for it operates on the principle that the fluctuation of a certain standard—turnover—accurately measures the loss of profits sustained. There are other standards which will be referred to later. Turnover has been likened to a reservoir, from which may be drawn, under normal conditions, a definite measure of purchasing power, a definite measure of charges and expenses, and a residuum called net profit.

The selling price of an article is the basis on which the turnover of a business is arrived at, and the factors which go to make up the selling price are:—

- (1) Cost price of raw material;
- (2) Cost of labour or wages;
- (3) Overhead or standing charges;
- (4) Net profit.

In the event of a business being crippled by fire, the loss by reason of shortage of turnover may be reckoned, subject to full insurance, in respect of standing charges and net profit. The purchase of raw material would not affect the case, as if no manufacture were carried on no raw material would be bought, and it may be assumed that the manufacturer would not pay any wages during the period his works were inactive.

The two items, standing charges and net profit, are comprised in the policy term "Profits," which expression thus has a specialised meaning for the purpose of the insurance, and this obviates the insured having to declare his net profit, as such, to the company. As gross profit has to support many items, such as commission, fuel and light, repairs, postage, which do not continue after a fire, the policy is not concerned with gross profit as such, but insures an amount which combines in one sum net profit, and a sum in respect of those permanent standing charges relating to the business which would still be payable, although the business be interrupted or completely stopped, and the term "standing charges" is elastic enough to embrace expenses which the trader would wish to continue as a measure of prudence—as, for example, wages to skilled employees.

Now, the ratio of net profit to turnover is liable to vary considerably from year to year, according to trade conditions. So is the ratio of standing charges to turnover. When trade is bad and the turnover is consequently lessened, the ratio of net profit to turnover will diminish and that of standing charges to turnover will increase. The converse will apply if trade is flourishing. By taking the two items in one, however, as a basis for "profits" insurance, it will be found that, unless market conditions are chaotic, the combined ratio of profits to turnover varies very little from year to year.

If, then, in the ordinary course of business the sum of the net profit earned and overhead standing charges incurred during a certain period prior to a fire bears some ascertainable proportion to turnover of that particular period, it may be assumed that the same proportionate margin would still have been available had no fire occurred. Such an ascertained proportion can naturally be expressed as a percentage of turnover. If the insured is paid that percentage on diminution of turnover (and a sum in respect of increase in cost of working) due to fire, he is suitably indemnified for his loss.

As the principle of average operates in the contract of insurance it is of great importance that the proposer or his accountant see that a sum adequate to the business—which may be an increasing one—is insured so that the full benefit of the policy is secured. A careful reference to the profit and loss account of the last financial year will be of help in determining this question, but it must be borne in mind that the proposal form seeks to elicit the annual amount of profits, irrespective of the period of indemnity decided on.

Let us glance briefly at the items commonly found in a profit and loss account. Rent, rates and taxes, mortgage interest or interest on debentures or borrowed capital, directors' fees, auditors' fees, salaries to permanent staff, and items of a similar nature should certainly be included, as they will continue to be payable by the insured despite the occurrence of fire. Other items will require discretion, e.g., income tax should be included if the amount of net profit is arrived at after deduction of the tax.

Income tax and corporation profits tax may be insured as standing charges if an agreement is entered into with the Revenue Authorities to treat as profit and pay tax on any sums recovered under the policy as compensation for loss. Upon completion of such an agreement the Inland Revenue

Authorities will allow the premium paid in respect of a profits policy to be treated as a proper charge upon the business in arriving at the assessment of income tax.

Depreciation of buildings and fixtures is a standing charge if an appropriation of profits has been made, but items such as fuel and light, commission on sales, discounts and so forth, which cease or diminish as the business is stopped or interrupted, are in no sense standing charges and are not, therefore, insurable.

It is not necessary for the insured to continue to pay wages to workmen if he has no work for them to do, as he can dismiss them until his business is re-opened. But this may be imprudent. An employer always has a certain number of workmen who are known as skilled workers, and it is in his interest to retain these men as they are difficult to replace. Because of their skill, their services are retained and their wages paid during the period when the works may be idle. If this were not done, these skilled employees might find employment elsewhere, perhaps with competitors, and the insured's business might in consequence be seriously prejudiced when the time came to resume operations.

Having decided the amount to be insured, the next matter for consideration is the period of indemnity. This should be the estimated maximum period for which any particular business would be dislocated following a fire. Obviously the best judge of this question is the insured, and if he underestimates this period he is under-insured—if his business is even, not seasonal—just as much as if he does not insure for the requisite sum as indicated by net profit plus standing charges for the same period. It will thus be seen that there is a direct relationship between the period of indemnity and the sum insured.

For periods up to twelve months the sum insured should be the annual profits (net profit and standing charges), and correspondingly increased when the period of indemnity selected is more than twelve months; e.g., for a period of indemnity of eighteen months the sum insured should be equivalent to one-and-a-half times the annual profits.

A further point arises as to how the period of indemnity is treated when assessing a claim. At one time it was the practice to calculate the loss month by month. The disadvantage of this method may be shown as follows. Let it be assumed that on a policy having a period of indemnity of six months a fire occurred in December, and that for January, February, March and June there was a shortage in turnover which was made good by the profits policy. In April and May, however, there was an increase over the normal turnover by reason of some orders being merely postponed instead of lost entirely. Now, dealing with each month separately rendered it impossible for the increase to be taken into account in assessing the loss over the whole period, and the insurance company would be unduly penalised. Present day practice is to deal with the period of indemnity as an unbroken period—as one unit—ending either when the shortage of turnover ceases entirely or on the expiry of the period of indemnity. Applying this to the illustration given, it will be seen that a much truer reflex of the real state of the business would be given by the latter method, as, after all, it is the shortage over the period which the insurance company contracts to make good.

Now let us see how the policy expresses the contract. After reciting the name, business and address of the insured, &c., the preamble specifies the event in which the policy is to become operative, namely, the premises or property therein of the insured being destroyed or damaged by fire resulting

in interruption to the business. It will be seen that this wording restricts the damage to the premises or property of the insured so that interference with the business through fire on a third party's premises causing the street to be closed or the stoppage of supplies does not come within the scope of the policy. The expression "interruption to the business" is also strictly interpreted, and does not therefore admit of third party claims, or under-insurance by fire policies, or depreciation of stock.

There are two operative clauses, the first dealing with loss of net profit and standing charges, and the second dealing with increase in cost of working. It is proposed to first consider the clause dealing with loss of profits. It reads as follows:—

The company will indemnify the insured against:

The loss of profits sustained in consequence of such interruption or interference during the period of indemnity but not exceeding the ascertained percentage of the sum by which the turnover during that period shall, solely as a result of the fire, fall short of the turnover during the corresponding period in the twelve months immediately preceding the fire; provided that if any of the specified standing charges shall be reduced or cease to be paid or payable by the insured the amount of loss shall be reduced accordingly.

In simple language the policy says to the insured: If you are insured for a sufficient amount I will fully protect you from loss of profits due to fire by paying you the same percentage of profits that you made last year, on the shortage of turnover during the agreed period, but if any of the standing charges which you have specified happen not to be payable by you neither shall I pay you for them.

The expression "ascertained percentage" will be observed in the clause, and the policy defines this as "the percentage of the sum hereby insured to the turnover for the twelve months immediately preceding the fire, but not exceeding the percentage of the profits in the last financial year preceding the fire to the turnover for that period."

To arrive at the "ascertained percentage" two percentages have to be calculated, and the lesser is always known as the ascertained percentage.

- (1) The percentage of the sum insured to turnover for twelve months immediately preceding the fire;
- (2) The percentage of the profits in the last financial year, to turnover for that period.

Thus it will be apparent that the insured cannot recover a greater percentage than that insured nor a greater percentage than that earned in last financial year, and thus lost by fire. Here the principle of average comes into play, and, further, a valuable safeguard is provided against over-insurance.

It is obvious that where the company is not asked to accept liability for a longer period than twelve months after any fire the maximum insurable amount is the insured's full annual profits. It naturally follows that if the insurance be effected for a smaller amount, the percentage of the sum insured to the turnover (for the twelve months immediately preceding the fire) is less than the actual percentage of profits to turnover.

If the sum insured be larger than the percentage of profits actually earned in the last financial year preceding the fire (to the turnover for that period), the insured cannot recover more than the ascertained percentage of profits on such trading.

The second clause, dealing with increase in cost of working, reads as follows:—

The increase in cost of working necessarily incurred by the insured in consequence of such interruption or

interference with the object of maintaining during the period of indemnity a turnover not exceeding that of the corresponding period in the twelve months preceding the fire. Provided that the sum payable in respect of increase in cost of working shall not exceed the additional amount that would have been payable in respect of diminution of turnover under clause (a) had no such increase in cost of working been incurred and that if the sum hereby insured shall be less than the sum of the net profit and all standing charges (insured and otherwise) of the business for the last financial year preceding the fire the amount payable shall be proportionately reduced.

It is not intended that the insured should indulge in an orgy of spending what is, in effect, other people's money in keeping up his business or perhaps even increasing it beyond its normal state. Further, such expenditure as is admittedly necessary must only be for such an extent as will keep the business normal for the period of indemnity only. For instance, if the period of indemnity is three months, then it is only intended that the turnover shall be maintained for the three months and any expenditure which would affect the subsequent trend of the business cannot be held to be included under this head, and only such increase in cost of working as results from the interruption of the business caused by fire is to be taken into account.

The last part of the clause brings out the question of average in its true sense. It will be remembered that average is brought into operation in clause (a) (dealing with loss of profits) by the definition of "ascertained percentage," so that if a risk is insured for only one-half the full insurable amount the company and the insured share, in so far as loss of profits is concerned, the loss in the same proportion. In such a case any increase in the cost of working incurred to maintain the turnover will of necessity benefit both parties, and therefore it is only fair that such expenditure should be shared equally.

The clause uses the expression "all standing charges." The full insurable amount should certainly include all these charges and not merely those specified or those selected by the insured. An omission of any standing charges would result in the risk being as much under-insured as if the amount included for "net profit" had been incorrectly included for a smaller amount than past results warranted.

The clause under consideration refers to two different periods before the fire, viz, "the last financial year preceding the fire" and "the twelve months immediately preceding the fire." The former expression is used in connection with profits, whilst the latter refers only to turnover.

The significance of the "last financial year" lies in the fact that most businesses have their stock-taking and accounting periods from a specified date in one year to the same date in the following year. It may not be an easy matter for a trader to ascertain his net profit for any given broken period, although it would be a fairly simple matter for him to ascertain the standing charges for such period. The results of the last financial year, though, give a fairly reliable index of the percentage of profit made by the business.

In computing turnover, however, it is a relatively easy matter to calculate this figure for any twelve months, no matter when the date of commencement may fall.

Increase in cost of working means the adoption of any means which will have the effect of maintaining the business either in whole or in part. The effect of this is to reduce the

loss payable under clause (a) and this is the reason why such expenditure is not insured as a separate item.

The policy continues:—

Provided that the total liability of the company in respect of any fire shall not exceed the sum which would be payable if the business were entirely stopped by the fire during the period of indemnity nor in the aggregate in respect of all fires during the annual currency of the insurance the sum hereby insured, viz, £.

This proviso may be regarded as dealing with salvage charges and not that the insured is entitled to increase the total amount of his loss by such charges. Assuming that a loss of £1,000 would be incurred by a total stoppage of the business during the specified period of indemnity, the company, by this clause, is prepared to pay up to £999 to avoid that loss.

Monthly payments on account are offered by the policy, such payments being restricted to profits, under clause (a). This gives the insured greater opportunity to carry on his business and conserve his connection, and it obviates seeking help from his bankers with the corollary of interest and charges; from the company's point of view it tends to decrease the amount of claim by minimising shortage of turnover.

The policy conclusion is a warranty that the property of the insured in the premises is, and shall continue to be, insured against fire whilst the profits policy is in force, and a stipulation that no claim shall arise on the profits policy until one has been admitted under the fire policy.

If you will refer to the specimen accounts you will observe that of the £5,800 gross profit in the trading account £5,000 only is insured as "profits," because a number of items, namely, fuel and light, renewals and repairs, commission on sales, discounts, advertising, stationery, postage and carriage, and bad debts written off, are not included in the sum insured because they are not fixed charges, but are reduced in proportion to the business done. The examples of claim settlements are, I hope, self-explanatory. The policy is for £5,000, which is five-twelfths of the turnover of the twelve months immediately preceding the fire. This fraction is paid on the shortage of turnover plus an amount in respect of increase in cost of working, and this payment indemnifies the insured.

In the second example, under-insurance is apparent and this, it will be seen, brings its own punishment under the loss of profits clause, because whilst the actual loss to insured is £1,800, the policy awards him £1,640 only, and in respect of increase in cost of working, the amount expended for the benefit of all standing charges and net profit must be divided between the insurance company and the insured—the ratio that the net profit and standing charges insured and all the standing charges and net profit of the business for the last financial year bear to each other determines the proportion to be borne by the company. As only a part of the "profits" are insured, namely 5,000/5,400, the company cannot be expected to pay more than this fraction of the extra cost incurred to maintain all the profits.

The maximum sum payable is the loss of profits under clause (a) had no increased costs been incurred, and as the hypothetical figures given assumes the turnover in the corresponding period of the preceding year to be £7,000, the amount that would have been payable had the business been absolutely stopped during the whole of the period of indemnity is 41 per cent. of £7,000, namely £2,870.

Now that the 'active principle' of the policy has been considered it will be opportune to examine the policy

conditions relating to it, leaving those which are self-evident or identical with those of a standard fire policy.

Condition 1 reads:—

In adjusting a loss, account shall be taken of any variations in the insured's business and allowance made for any additions or deductions in respect of turnover, output, or other standard term employed in the policy which, having regard to any special circumstances, ought to be made.

Reference has already been made to a "strike" occurring after a fire and during the period of indemnity, and it was seen that the policy does not cover shortage of turnover attributable to such a cause. On the other hand, a strike may have occurred in the previous twelve months in the period corresponding to the period of indemnity. In this case it would be unfair to the insured to compare turnover during the period of indemnity with turnover of same period in the previous twelve months, as the result would show a very small falling off in turnover, if any, and it is to protect the parties from a settlement based on inequitable adjustment that this condition has been framed.

The object of this condition is to compose differences by making the basis of a claim settlement, a standard which two reasonable parties shall agree to be a fair and normal one, free from anything extraneous or erratic.

The second condition reads:—

In the event of the earnings of the business for the financial year next preceding the fire, or other period specified in the policy, being insufficient to fully meet the amount of standing charges relating to such period, the insurance shall only apply to the extent to which the standing charges shall have been met by such earnings.

This condition is framed to safeguard the principle of indemnity. If standing charges are not being fully met out of the earnings of the business it is obvious that trading is being carried on at a loss. The deficit must be met as a capital charge, and not passed on to the insurance company.

Other conditions provide that the policy shall be void if the business be liquidated or permanently discontinued after a fire, or if the fire hazard be increased without notice being given also that a rateable proportion of any loss shall be borne in the event of other profits insurance on the same risk.

The standard generally employed to measure the profit earning capacity of a business is that of turnover wherein each £1 taken contributes its due proportion to standing charges and net profit, if any, but this standard is not suitable for all businesses.

In manufacturing concerns where one staple article is produced the most suitable basis is that of output; exactly the same principle operates, but instead of shortage of takings being the measure of loss it is based on the shortage of units produced. Each sack of flour milled or barrel of beer brewed contributes its quota—its ascertained amount per unit—to the final result, and the measure of loss can be definitely known by ascertaining by how much the number of units is reduced.

There are other standards, but as this paper is concerned only with elementary principles and their application it is not proposed to discuss them.

If this brief outline of profits insurance will stimulate a desire for further knowledge of the subject I shall feel amply rewarded.

[For Accounts and Examples referred to see next page.]

BROWN & JONES, LIMITED.

TRADING ACCOUNT for Year ended December 31st, 1926.

Dr.			Cr.
To Stock at beginning of year	£1,500	By Sales	£12,000
„ Purchases	5,500	„ Stock in hand, 31/12/26 ..	2,500
„ Wages	1,700		
„ Profit and Loss Account:			
Gross Profit	5,800		
	<u>£14,500</u>		<u>£14,500</u>

Dr. PROFIT AND LOSS ACCOUNT.

To Fuel and Light	£100	By Trading Account:	
„ Mortgage Interest	75	Gross Profit	£5,800
„ Directors' Fees	300		
„ Renewals and Repairs ..	50		
„ Commission on Sales ..	130		
„ Salaries	1,070		
„ Rent, Rates and Taxes ..	200		
„ Discounts	40		
„ Insurance Premiums ..	70		
„ Advertising	200		
„ Auditors' Fees	35		
„ Stationery, Postage and Carriage	140		
„ Depreciation of Buildings and Fixtures	150		
„ Bad Debts written off ..	150		
„ Bad Debt Reserve	100		
„ Balance, Net Profit ..	3,000		
	<u>£5,800</u>		<u>£5,800</u>

Example 1.

Policy for £5,000. Period of indemnity, six months. A fire occurs on December 31st.

- (1) Turnover for 12 months preceding fire, £12,000.
- (2) Percentage of sum insured to turnover = 41 per cent.
- (3) Percentage of "Profits" in last financial year not less than 41 per cent.
- (4) Ascertained percentage thus 41 per cent.

Assume shortage of turnover during period of indemnity to be £4,000

(£3,000)
<u>£7,000</u>

Claim settled as follows:—

Clause (a) Loss of Profits, 41 per cent. of £4,000 = £1,640

Clause (b) Increase in Cost of Working = 700

Total payable to Insured £2,340

Maximum amount payable under policy, £2,870—viz, 41 per cent. of £7,000.

Example 2.

Assuming that "Profits" in last financial year had been £5,400 (45 per cent. of turnover).

Sum insured, &c., as in Example 1.

Claim would be settled as follows:—

Clause (a) Loss of Profits, 41 per cent. of £4,000 = £1,640

Clause (b) Increase in Cost of Working 5,000 of 5,400

£700 = 643

£2,283

Maximum amount payable under policy, £2,870—viz, 41 per cent. of £7,000.

South Wales & Monmouthshire District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the South Wales and Monmouthshire District Society of Incorporated Accountants and Auditors was held at the Park Hotel, Cardiff, on Thursday evening, April 28th.

The PRESIDENT (Mr. R. Wilson Bartlett) presided, and was supported by the Lord Mayor of Cardiff (Alderman Wm. Grey), the Lady Mayoress (Mrs. F. J. Jenkins), the President of the Society of Incorporated Accountants and Auditors (Mr. Thomas Keens) and Mrs. Keens, Mrs. R. Wilson Bartlett, the Mayor of Newport (Councillor A. T. W. James, J.P.), Mr. Reginald Clarry, M.P., Colonel Sir Rhys Williams, the Mayor of Merthyr (Alderman Llewellyn Francis, J.P.), Mr. David G. Hall (High Sheriff of Glamorgan), Sir William Graham, J.P., Sir Iltyd Thomas, J.P., Mr. John Allcock (City Treasurer, Cardiff) and Mrs. Allcock, Mr. Hugh M. Ingledew, Mr. J. Percy Mountjoy (President, South Wales Society of Chartered Accountants), Mr. and Mrs. G. E. S. Heybyrne, the Rev. Isaiah Roberts, M.A., His Honour Judge L. C. Thomas, Mr. J. E. Emlyn Jones, Mr. F. J. Alban and Miss Alban, Dr. J. J. E. Biggs, Mr. F. Perman (Vice-President, Cardiff Shipowners' Association), Mr. A. F. Bland (President, Cardiff Incorporated Law Society), Mr. R. J. Webber (President of the Newspaper Society), Dr. D. Roeyn Jones, C.B.E., J.P., Mr. Fred Bartlett, Mr. S. West, Mr. T. Morris Prosser, Councillor C. F. Williams, J.P., Mr. Walter Meacock, F.C.A., Mr. E. E. Phillips, Mr. E. Charles Jones, Mr. Denys Phillips, Captain K. C. Raikes, O.B.E., Major Hedley Graham, M.C., Mr. A. W. Heard, Mr. Percy Phillips, O.B.E. (President, Newport Chamber of Commerce), Captain G. B. Bailey, D.F.C., Mr. Arthur C. Parry, Mr. W. Stanford (President, Newport Chamber of Trade), Councillor Cyrus C. Clissett, J.P., Mr. F. H. Dauncey, Mr. A. G. E. J. Fudge, Colonel Clifford Phillips, D.L., V.D., Major J. E. C. Partridge, Captain R. C. L. Thomas, M.C., Mr. T. N. T. David, B.A., Mr. J. J. Jackson, Mr. G. L. Tudor, Mr. Clifford H. Phillips, Mr. A. W. Jones, Mr. E. C. W. Owen, F.C.A., Mr. D. Davies, Mrs. Davies, Mr. C. S. Lashmore, Captain T. Jones, M.C., Mr. Douglas Low, Mr. A. J. Popham, Mr. Percy H. Walker (Hon. Secretary, South Wales and Monmouthshire District Society of Incorporated Accountants), Mrs. P. H. Walker, Captain J. A. Bonnyman, O.B.E., Mr. F. L. Nicholls, Mr. G. E. Smith, Mr. Reg. Phillips, Mr. Alex. Sanders, Mr. D. H. Husband, Mr. W. J. Liley, Mr. E. C. McLay, A.C.A., Mr. W. E. Hinde, Mr. F. J. Jenkins, Mr. J. Pearson Griffiths (Vice-President, South Wales and Monmouthshire District Society of Incorporated Accountants), Mr. A. A. Garrett, B.A., B.Sc., F.C.I.S. (Secretary, Society of Incorporated Accountants and Auditors), Mr. F. A. Webber (Hon. Secretary, West of England District Society of Incorporated Accountants), Mr. J. Paterson (Secretary, Scottish Branch Society of Incorporated Accountants and Auditors), Mr. A. E. Piggott (Hon. Secretary, Manchester District Society), Mr. G. Brinley Bowen (Vice-President, Swansea and South-West Wales District Society), Mr. R. Bevan (President, Cardiff Chamber of Trade), Mr. T. O. Morgan, Mr. R. T. Richards, Mr. R. J. Rimmell (Hon. Secretary, South Wales District Society of Chartered Secretaries), Mr. E. L. Molyneux, Mr. A. F. Ashton, Mrs. Ashton, Mr. J. Wallace Williams, Mrs. Wallace Williams, Mr. G. F. Scrivener, Mr. A. B. Watts, Mrs. Watts, Mr. F. S. W. May, Mr. C. J. Hardwicke, Mrs. Hardwicke, Principal Chas. Coles, B.Sc., Mr. W. H. Guest, Mr. Arthur A. Warren, Miss Allcock, Mr. Leo Fudge, Sir Thos. Hughes, Mr. Thos. Hughes (Clerk to the Monmouthshire County Council), Mr. Arthur G. Pell (President, Newport Rotary Club), Mr. Thos. Mills, Mr. W. R. L. Jenkins, Mr. Harold Wood, Mr. H. W. Baddeley, Mrs. Baddeley, Mr. W. J. Pallot, Mrs. Pallot, Mr. W. J. Bennett, Miss Bennett, Mr. E. Claude Jones, Mrs. Jones, Mr. R. A. Wetherall, Mr. H. Edwards, Mr. J. Picton James, M.B.E., Mr. Arthur M. Ingledew, Mr. E. R. Thomas, Mr. Harold Ellis, Major H. D.

Cheeseman, Mr. C. W. Chabrel, Mr. H. F. Hallam, Mr. H. Powell, Mr. W. D. R. Lewis, Mr. J. D. R. Jones, Mr. J. R. Thomas (Vice-Chairman, Taf Fechan Water Board), Mr. F. E. Price, Mr. J. P. Morgan, Mr. S. A. Lamb, Mr. J. A. Wood, Mr. G. Fred Evans, Mr. J. F. Morris, Mr. N. E. Lamb, Mr. C. Davies Jones, Mr. W. H. Trump, Mr. T. Jones, Mr. P. A. Hayes, Mr. Rhys J. Rees, Mr. John Phillips, Mr. Vivian Alban, Mr. W. G. Wall, Mr. Leonard Alban, Mr. T. Trump, Mr. J. Cole, Mr. R. A. B. Hears, Miss M. D. Dunsley, Mr. R. C. Glendenning, Mr. W. Thomas, Mr. W. G. Inkin, Mr. S. G. Hookey, Mr. T. W. M. Bowen, Mr. W. E. Thomas, Mrs. Thomas, Mr. T. John, Mrs. John, Mr. R. E. Morris, Mrs. Morris, Mr. S. E. Clutterbuck, J.P., Mr. E. Thomas, Mr. A. E. Clutterbuck, Mrs. Clutterbuck, Mr. A. Blackburn, Miss Massey, Mr. F. M. Forster, Miss K. Freeguard, Mr. T. J. Notley, Mr. T. A. Davies, Mr. J. T. Phoenix, Mr. C. E. Mitchell, Mr. W. A. Stewart Jones, Mr. H. Borrett, Mr. Llew. Francis, Mr. P. Griffiths, Mr. A. G. Charters, Mr. E. V. C. Nicholls, Mr. E. J. Saddler, Mr. T. F. Cadman, B.A., B.Sc., Mr. John Tamplin, Mr. D. L. Williams, Mr. D. J. Owen, Mr. Guy Ross, Mr. T. R. Morris, Mr. A. Percy Horton, Mr. A. D. Thomas, Mr. O. I. Thomas, Mr. A. F. Kimpton, Mr. C. E. Rollinson, Mr. A. E. J. Holland, Mr. A. E. Pugh, Mrs. Pugh, Mr. J. R. Taylor, Mr. E. Young, Mr. C. V. Trace, Mr. W. J. Kimpton, Mr. Ivor Davies, Mr. D. Curitz, Mr. K. V. Stephens, Mr. E. H. McGregor, Mr. E. E. Pearce, Mr. S. C. Williams, Mr. C. L. Parry, Mr. R. Rees, Mr. C. T. Stephens, Mr. H. Hopkins, Mr. T. C. Howells, Mr. O. J. Thomas, Mr. Haydn Edwards, Mr. M. R. Bartlett, Mr. R. Marshall, Mr. L. D. Ashton, Mr. Cyril Lewis, Mr. Kenneth Williams, Mr. W. P. R. Peters, Mr. J. T. Dewar, and Mr. P. H. Walters.

Mr. G. E. S. HEYBYRNE, in proposing the toast of "The Houses of Parliament," said that 670 years ago the Government of the country had been based on the principle of the sovereign will of the people, which had continued ever since. That system had been tried by the test of time and had turned out as the system best suited to the mind and temperament of the British people. Despite criticism and assault it had proved the nation's surest safeguard of its liberties. They had but to look back a short eleven months to see that. The nation then passed through a serious and trying time, but the common sense of the British people asserted itself and the nation turned to the House of Commons. Speaking from the point of view of the profession of accountancy, Parliament had from time to time placed heavy burdens on their shoulders, and yet the accountants had cheerfully accepted the responsibilities and faithfully carried out the duties laid upon them. Although the principle of statutory protection had been extended to many of the professions, accountancy had not yet received it. In a warm tribute to Mr. Reginald Clarry, M.P., whose name he coupled with the toast, Mr. Heybyrne said that the work of the Parliamentarian was yearly becoming heavier. Not only had the Member to face long hours and heavy work in the Chamber of the House, but he had to meet many and exacting calls made upon him by his constituents, and in that respect Mr. Clarry was a model Member of Parliament. (Applause.)

Mr. REGINALD CLARRY, M.P., responding, said that he could quite appreciate the warmth with which accountants drank the toast of "The Houses of Parliament," because, if he was not mistaken, accountants were not unduly depressed by the conditions of the country. The profession had come very much to the fore during recent years, due to a large extent to the high taxation and the consequent demand for skilled accountants who could show a reasonable profit on a balance-sheet and at the same time wring the heart of the Income Tax Commissioner by the tale they could tell. But, seriously, he desired to express his appreciation of the opportunity that had been given him that night of supporting a President of whom the town of Newport was very proud. (Cheers.) He looked around and saw many of the President's fellow

townsmen there to support him, and to show their appreciation not only of Mr. R. Wilson Bartlett's great work in accountancy but also in other spheres.

He supposed he had to say a word or two about the House of Commons. Well, the House of Commons was the people's safety valve. It was the opportunity to blow off steam and get rid of the excessive pressure which was so dangerous. After all, although talking in the House of Commons represented perhaps 75 per cent. of the work done there, legislation by talking was better than legislation by shouting, or threats, or by executions. They were all proud of the fact that the British Houses of Parliament had become the model for the whole world. The rest of the world had imitated Britain in designation, in the offices, and in the procedure, as well as in almost every other particular. The aggregate common sense of the whole of the House of Commons was greater than the common sense of the individual members. (Cheers.)

Mr. JOHN ALLCOCK, in proposing the toast of "Our Civic Governors," said that generally speaking the ordinary man in the street had not the slightest appreciation of the duties or responsibilities of their civic governors. He had frequently asked friends who were supposed to be well-informed what they thought represented the income and expenditure of the city of Cardiff on revenue account alone. Many had not attempted to give a figure, but such as did were miles out. When he told them that the figure on revenue account alone for the city of Cardiff represented considerably more than four millions sterling per annum they would hardly believe him. The local authorities of the country collected 147 millions in rates alone last year—"Shame"—and the people could not possibly do for themselves with that money what the corporate body did for them. Apart from the rating accounts, the corporations controlled a number of vast trading undertakings in the shape of tramways, gas, and electric undertakings and such-like, and he believed that he was right in saying that the capital of the investing public placed in those undertakings amounted to considerably more than 300 millions. In welcoming the various civic heads and members who were present that night, Mr. Allcock singled out for special reference Alderman Sir Iltud Thomas and Dr. J. J. E. Biggs, both of whom, he said, had put the Society in their debt for the manner in which those gentlemen had received the Parent Society on the two occasions on which it had visited Cardiff. In coupling the names of the Lord Mayor of Cardiff and the Mayor of Newport with the toast Mr. Allcock said that he had known many Lord Mayors and Mayors during the past thirty years, but he could honestly say that he had not known one who had not worthily upheld the high traditions of the office to which he had been selected by his fellows on the municipal body. (Applause.)

The LORD MAYOR OF CARDIFF (Alderman Wm. Grey, J.P.), replying, told the story of the London paper which had declared that he had disturbed the decorum of the Royal Box by cheering at the Cup Final on the previous Saturday at Wembley. That was not true, he added, because he had told the King that if Cardiff City kicked a goal he should shout, and His Majesty had laughingly consented. "Well, they did kick the goal, and I shouted," added the Lord Mayor, "and as I did so I looked up and saw Mr. Lloyd George shouting as hard as myself." (Laughter.) Continuing, the Lord Mayor said that he agreed with Mr. Allcock that the man in the street did not know or appreciate the amount of work that devolved on the civic governors in these days. The task had become almost a whole-time one for those entrusted with the work of finding what was best for the whole community, and it was only fitting that he should pay tribute to the important share which accountancy had in the successful accomplishment of that work. Municipal enterprise could not possibly develop

without a proper accountancy system under the control of trained accountants, and in Cardiff they were particularly lucky in possessing one of the best accountants in the whole country. (Cheers.)

The MAYOR OF NEWPORT (Councillor A. T. W. James, J.P.) said that he was particularly happy that evening in sitting under the chairmanship of a fellow-townsmen, and in rejoicing with the South Wales and Monmouthshire District Society of Incorporated Accountants in their happy choice of Mr. R. Wilson Bartlett as their President. Civic governors were very often placed at the disadvantage these days of being blamed by the general public for all the extra burdens that were thrown on the rates. As a matter of fact most of those burdens were due not to local action, but to that of the Government in placing upon municipalities and local authorities duties and responsibilities that rightly belonged to the Imperial Exchequer.

Mr. HUGH M. INGLEDEW, in proposing the toast of "The Society of Incorporated Accountants and Auditors," said the Society was an important body and fulfilled a very important sphere in the life of the community. Its activities extended over the whole of the world, and its branches were to be found in Scotland, Ireland, South Africa, Australia and Canada, all under the ægis of the Parent Society. Its members were authorised to demand such fees as they thought the public could pay, and were gathered into sixteen affiliated societies, of which the one meeting in Cardiff that night was one of the most important. Founded in 1894, it had a membership of 241, including many original members, of whom one was his old friend and colleague Mr. William John Bennett, who was an ex-President of the Society. (Cheers.) The Parent Society, which included the District Society, had many distinguished members. Starting with the local Society there was Mr. John Allcock, who was encouraging the Corporation, according to the papers, to spend something like £700,000 on street improvements—(Mr. Allcock: "No!")—and to whom the grateful ratepayers would probably erect a statue. (Laughter.) There was his old friend and colleague in ambulance work, Mr. R. Wilson Bartlett, who so worthily filled the chair of the District Society, and the indefatigable and able Hon. Secretary, Mr. Percy Walker, to whom all owed so deep a debt of gratitude for his magnificent work, especially in the organisation of that dinner. Turning further afield, the Society numbered among its members Sir James Martin, the real founder of the Society, and a man of many interests and remarkable capacities. Then there was H.M. Auditor-General, who was supposed to keep a tight hand on the public purse, and Sir Josiah Stamp, whose name was known to everybody as one of the nation's greatest statisticians and the head of the most important commercial corporation in the country with a capital of 400 millions and a turnover equal to about half of the figures for municipal expenditure to which Mr. Allcock had referred. And, last but not least, there was the guest of that night, the President of the Society, Mr. Thomas Keens. (Cheers.) Mr. Keens was formerly M.P. for the Aylesbury Division of Buckinghamshire and Chairman of the Finance Committee of the Bedfordshire County Council.

The duties of the Society were naturally of a very important and serious kind. The Society was first of all engaged in the duty of protecting the interests of its members in their profession. Belonging as he did to another profession, he knew how very valuable that duty was to all professional men. Then, like all other professional organisations, the Society exercised disciplinary powers. They all knew how very necessary that was, for even in the best professions they found some persons who had to be looked after and controlled. Then, thirdly, a very important duty devolving upon the

Parent Society was the maintenance of the highest possible standard of examination required for entry into the profession of accountancy. Perhaps the younger members of the profession did not quite appreciate the services which the Parent Society rendered in that direction, but it was becoming more and more the rule in the professions that the standard required for entry into the calling should be as high as possible. (Applause.)

Mr. THOMAS KEENS, President of the Society of Incorporated Accountants and Auditors, responding said that accountancy was a modern profession which had largely been called into being by modern demands. It was threatened on all sides. He was recently present in his official capacity at a function of the Institute of Actuaries, and there was present at that dinner that charming, elusive, and fascinating personality, the Chancellor of the Exchequer. He told them that actuarial science had so far progressed that not only was it possible to foretell what the population of these islands would be in 70 years time, but what would be the sex, distribution, occupations, and all the statistical data necessary for the formation of a judgment. He was followed by Sir Josiah Stamp, who said that he was so impressed by the statement of the Chancellor of the Exchequer that he could see the profession of accountancy was a thing of the past, because in future the prospectus would not contain a statement of past profits, but only what the profits were going to be. He had heard from Sir Josiah Stamp on many occasions that the accountant ought to have imagination, but he had never expected that imagination would have to go to that length. He had always imagined that that was the task of the promoters of the company, and not of accountants. Then again, within the past week he had read the report of a certain political organisation, and there he found that after passing the usual resolutions for the nationalisation of all the industries, the banks, and so forth, one member had brought forth a solution for the National Debt. He said: "How simple it would be to print treasury notes for the whole amount and pay the whole debt off." Even that was not enough for some of those present, for they proposed to abolish currency altogether. And then he wondered what would be the effect of subscriptions paid in kind. If the subscriptions were to be paid in fish and vegetables, it was difficult to see how the surplus funds could be invested. He wondered what would be the report of the auditor on the distribution of profits. And he wondered what would happen if there was to be a distribution of benefits because there happened to be a labour dispute.

Still, neither of these dangers seemed to him immediately to threaten their profession. He thought, therefore, that they might survey the position without reference to those particular factors. In regard to the Society he thought he was justified in claiming progress in all directions. The membership had been given by the proposer at 4,600, but 4,600 members would be nothing unless they could claim—as, in fact, they could claim—an educational standard of the highest. Their examinations were conducted by men whose names were household words in respect of the subjects in which they examined. The marking was of the most severe description, and the fact that only 43 per cent. passed the last Intermediate and Final was a pretty good indication of the requirements of the Society. As to status, they had behind them the Warrington judgment, which was really the greatest possible Charter that any body of professional men could have, and, in addition, they had the Private Bill Committee of the House of Commons—another greater standard. It was a matter of very great satisfaction to them as a profession that the number of private Bills during the last session with an audit clause which prescribed the qualification of Chartered or

Incorporated Accountant was very large, and was from day to day increasing.

The headquarters staff of the Society was always increasing, and during the past few days they had appointed a Parliamentary Secretary. They had been fortunate in securing a gentleman trained in the law, and an honours graduate of Cambridge. His duty was to keep in touch with the District Societies for the forward movement which the Council had in mind for District Societies. With regard to the new premises, although they had heard rumours from time to time he was not yet in a position to state where the new home in the City is to be. They had found that immediately they began to touch property in the City of London the number of interests which had to be compensated seemed to be unending. He had, therefore, no definite statement to make except to say that he thought they would be able to make a pronouncement in the near future.

The accountancy profession—like everybody else—was feeling that aftermath of the war, the outbreak of excessive nationalism which is taking place all over the world. They need not look to the Balkans and Jugo-Slavia for it, for they would find throughout His Majesty's Dominions that a demand was arising in each country for the inhabitants thereof—as, for instance, "Canada for the Canadians" and "Africa for the Afrikanders." As they were the only Society of accountants in the world which issued a world-wide qualification the bulk of this work fell on the Society. They had their hands full in every corner of the globe in endeavouring to protect the professional qualification of their members who had emigrated to those corners in the honest pursuit of occupation and the practice of their profession.

Proceeding, the President congratulated the South Wales and Monmouthshire District Society on the evidence of its activities he saw before him. As a District Society man he congratulated Mr. R. Wilson Bartlett. He himself had hoped for all time to be regarded as a District Society man, and speaking for himself—because the policy had not yet been formally adopted by the Council—he wanted to say that he hoped to see thoroughly active District Societies in all districts, properly housed for the carrying on of all their work—educational, lectures and ordinary meetings, and for all other purposes. He was prepared to use his powers in assisting to extend the influence of the Society, and to make better known, if possible, the title: "Incorporated Accountant." (Cheers.) For this purpose he wanted to make an appeal. There might be involved some small financial sacrifice, and he hoped that every member would be prepared to make it for the sake of the Society as a whole. He was certain that in this way they would be doing something for each individual's benefit, indirect though it may be and impalpable though it might seem at the moment. He desired to pay his tribute to the happy relationships which existed between themselves and the senior branch of the profession—the Institute. The phrase was continually used that they were following parallel lines. If that meant the Euclidian definition of parallel lines as two lines which ran on for ever without meeting it did not meet the circumstances. The Institute and the Society were continually meeting. Practically every Bill which came before the House came within the scrutiny of both branches of the profession, and, generally, a joint memorandum and a joint deputation resulted. As the guest of the Institute he had ventured to commend a plan which had been followed in Sheffield. If it had not been followed in Cardiff he ventured to commend it there. That was that joint lectures and joint meetings should be sought between the Institute, the Society, the Secretaries, and the Bankers. He commended that plan because it was desirable that every practising accountant should have the widest possible

knowledge and experience. They could not make the field too wide. The number of highly skilled lecturers was few, and it was desirable that the audiences should be as wide as possible for them. He trusted that his commendation would have results in Cardiff. In conclusion Mr. Keens said that although the affairs of the Society were satisfactory, it was difficult to say that the condition of the profession was entirely satisfactory either at home or abroad. In the Dominions the spirit of excessive nationalism was restive, and perpetual vigilance was necessary for the protection of their members. At home new societies were springing up like mushrooms, and the *raison de être* of these bodies was that "Accountancy is a closed profession." He denied entirely that accountancy was a closed profession. The Society had had many critics for admitting to the examinations candidates with six years experience for the Intermediate and nine years for the Final. The experience in the legislatures of the Dominions and recently in Ireland had shown that the biggest argument that could be raised against any society was proof that the poor man's son was debarred from entry thereto. He claimed that the policy the Society had consistently followed out since its inception, of demanding experience, knowledge and character, and, having these, putting no artificial barriers in the way, had disposed of the whole argument against the Society and the profession. (Cheers.) Whatever the future might bring forth the Society would continue to maintain its high standards, but would impose no barriers. They would rigorously preserve the highest standards of qualifications and of conduct, for those were the ultimate tests in accountancy or any other profession. He trusted the Society would continue to grow in numbers and in influence, and in the confidence of that great commercial and industrial public upon whom they all depended. (Cheers.)

At the request of the Chairman, Mr. Keens then presented the Honours Certificate, granted by the Council, to Mr. Frank Edward Price, who gained sixth place in the May examinations, and congratulated Mr. Price on his notable achievement. The President also congratulated those South Wales candidates who had won the prizes awarded in the recent prize essay schemes for Cardiff and Newport, their names being as follows:—Cardiff: Mr. Edgar Vivian Charles Nicholls, first prize; Mr. Kenneth Vinson Stephens, second prize; Mr. Stanley Clifford Williams, best contribution to the discussions. Newport: Mr. T. H. Trump, first prize; Mr. A. Blackburn, second prize; Mr. W. H. G. Jones and Mr. R. C. Glendenning, bracketed for third prize; Mr. H. K. Marsh, fourth prize.

Mr. F. J. ALBAN, giving the toast of "Trade, Commerce and Industry," reminded those present of the terrible industrial experience through which the nation had passed since their last annual dinner, at which time they had hoped that the threatened trouble might be successfully avoided. Mr. Bonar Law had once said that the American debt would lower the standard of living in Britain for a generation. The late coal dispute had lowered the standard of living in the South Wales coalfield for that period at least. As an illustration of the effects he might mention the experience of the Welsh National Memorial Association, the great national institution which dealt with the disease of tuberculosis, with which he was connected. That institution drew its funds from the rates of the different authorities in the Principality, and as a result of the stoppage in the coal trade there had been a loss in rateable value for the four districts of Glamorgan, Monmouthshire, Merthyr and Swansea alone of three-quarters of a million pounds. That must mean that beds urgently needed for the treatment of tubercular patients would have to be closed down or that the ratepayers would have to undertake their

maintenance in addition to the already huge burdens that they were called upon to carry. It was difficult to calculate to what extent public services, such as roads, housing, health services and public works generally, would suffer this year and for many years to come as a result of the loss of trade that had been the inevitable consequence of the stoppage. Fortunately that was now behind them, and he thought they might look to the future with confidence. It was not for him to suggest ways and means by which such differences of opinion might be averted in the future, but he was sure all would agree with him that in industrial warfare—as in national warfare—the non-combatants should not suffer a similar event again, and that they all joined with him in the hope that some means of arbitration, a fuller knowledge of the facts in industry and a better feeling generally would prevent such a loss in the future. (Cheers.) In that connection the President of the Parent Society and other speakers had already referred to the functions of the accountant, and it ill-behoved him as a humble member of the profession to refer to the services that accountancy could render to trade and commerce. Accountants—like the members of their brother profession, the law—were fortunate in being present very often at the birth of a commercial undertaking; they attended to it during its lifetime, and if, unfortunately, things did not go right they had a part in the inquest, with appropriate fees. A South Wales captain of industry had once referred to accountants as pessimists. He had said: "I employ optimists to get results and pessimists to figure them out." He supposed from that point of view every accountant was a pessimist, but he gathered from the remarks of Mr. Keens that their President was envisaging a wider sphere for the accountant in the future.

One of the great burdens in commerce, trade, and industry was that of local rates. And there he would venture to be a little unorthodox. They found in their experience that trade and commerce had an unholy fear of income tax. That, however, was a tax on profits after they had been made, subject to certain adjustments, but local rates were an absolute deadweight on profits before they had been earned. He did not want to introduce anything in the least savouring of politics, but he could not help reminding those present that the recent appropriation from the Road Fund, whilst it had temporarily relieved income taxation, must inevitably come up in future years in the form of local rates. In the course of recent investigations he had found that the burden of local rates in South Wales, which some time ago was in the region of 3½d. per ton on South Wales coals, was now in the region of 7½d. per ton. That was a deadweight burden that the industry must suffer. Recently a representative of the steel industry pointed out that the local rates in one district of South Wales represented 6s. 8d. per ton on the finished steel. He pointed out these figures as showing the very heavy and inevitable burden which local rates meant to trade and industry. In that connection he wanted to point out that the Imperial Parliament owed a very considerable adjustment to South Wales in particular. Many present were already aware that the coal trade was assessed for local rating purposes at so much per ton. During the war the price of coal went up from somewhere in the neighbourhood of 16s. per ton f.o.b. to well over £5 per ton. The local rates were actually reduced during that period owing to the reduced output, and the Government, in the form of control, took practically the bulk of those profits. It seemed to him that the time was now appropriate when the Government should reverse the procedure and give some relief to South Wales and Monmouthshire during the present period of depression. The Mayor of Merthyr had just told him that the rates in that borough had gone to £1 10s. 6d. in the £.

Whoever managed the affairs of those towns would find themselves up against an enormous disproportion in regard to education and other services supposed to be national. A place like Blackpool, with a rateable value of £13 per head, spent 1s. 2d. per head, while a place like Merthyr with a little over £3 per head had an education rate of 8s. That burden fell principally on trade, commerce and industry, and he felt that there was quite a good case for a readjustment of those burdens so as to relieve the dead weight which fell on trade. At the present moment the municipal governors were in the position of being big partners in every business—at any rate they were taking a large share in the profits—and if only for that reason it was time that the representatives of trade, industry and commerce co-operated with them in an endeavour to secure readjustment that would mean relief of the burden on trade.

Sir WILLIAM GRAHAM, J.P., in the course of a witty reply to the toast, paid a compliment to the ability and personality of the Chairman. What was wanted in industry was a little more common sense on all sides to see that the interests of employer and employee were not antagonistic but mutual. Once they got that understanding, plus a spirit of kindness, then they would have pleasure at the end of the financial year of showing not 3 per cent., but 10 per cent., 15 per cent., 20 per cent., and even 25 per cent. profits.

Mr. J. EMLYN JONES, also speaking in response to the toast, recalled the days when their President, Mr. Thomas Keens, and he were colleagues in the House of Commons. He paid a warm tribute to the Parliamentary services of Mr. Keens, whom he hoped to see back in the legislature. If Parliament was adequately to look after their interests then they wanted more and more professional and business men in the House and fewer of those who had been named "professional politicians." In 1911 the national wealth had totalled 1,988 millions, whereas in 1924 it had reached 3,800 millions, showing an increase of 90 per cent. But bearing in mind that there had been an increase in population, and that money was not so valuable to-day as it had been in 1911, they could safely say that the present income of the country was more or less the same as it was in pre-war days. But it was a remarkable fact, and one which they wanted to commend to the working classes of the country, that whereas the income was the same, the distribution of that wealth was greater and wider, because the standard of living was undoubtedly higher than it was before the war. That showed them the fallacious doctrines being propounded from some platforms, and illustrated the lack of knowledge of true economic facts. It was the duty of all engaged in trade, industry and commerce to bring home the true position in the interests of that co-operation upon which they all depended. The fact was that whereas the absolute proportion of the capitalists had increased, the absolute and relative proportions going to the workers had decreased. So that far from it being a fact that as the nation became more wealthy the poor became poorer, the true position was that the rich were becoming poorer and the rest more rich. If they could only drive that fact home there was no limit to the possibilities of expansion in the nation's trade, industry and commerce. In fact they found the paradoxical position obtaining that whereas the luxury trades had prospered during the last few years, the heavy manufactures on which the existence of the nation depended had not prospered. Those in the sheltered occupations were enjoying a standard of life unequalled in the whole world, with the exception of the United States of America, while the heavy trades were feeling the fierce blasts of competition. Those engaged in the unsheltered trades must concentrate more and more on intensive production in order to meet that competition and produce the goods that their

customers wanted at a price that would secure their orders. If those entrusted with the task of government would only see these facts and help in their consummation he was sure that the country was in for a period of prosperity that would even transcend the glorious days of the past. There was no limit to what they could do if they all pulled together, but there was no hope if they were going to be at each others' throats and if there was going to be perpetual talk about the superiority of either capital or labour. There was no such thing as superiority. If common sense and sanity would take the place of conflict there was no limit to what might be accomplished.

The PRESIDENT (Mr. R. Wilson Bartlett), proposing "The Visitors," said that the duty of extending a welcome to their visitors was the pleasantest task of the evening. He hoped that all their visitors had enjoyed themselves, and that many new friendships had been made, for it was often said that friendships were the cement necessary to build the walls of life and to hold the whole structure of life together. He appreciated all the kind things that had been said with reference to himself, and he further felt happy and honoured in the presence of the President of the Parent Society and that of Mr. Alexander Garrett, their very patient and able Secretary. (Cheers.) He was also pleased to welcome the representatives of the Manchester, Scottish, the Bristol and West of England Branch, and several representatives of the new District Society of Swansea and South-West Wales. (Cheers.) He desired to emphasise the pleasure it always gave them to see two old friends like Alderman Sir Iltyd Thomas and Dr. J. J. E. Biggs, and he also wanted to welcome the ladies who were present in such goodly numbers. He coupled with the toast the names of the High Sheriff of Glamorgan (Mr. David G. Hall) and His Honour Judge L. C. Thomas.

Mr. DAVID G. HALL (the High Sheriff of Glamorgan), in replying for the visitors, paid some warm compliments to the District Society and its officials. If they were threatened with a recurrence of the general strike, and it came, he was sure that, with their late experience, the attack on the local and national life would be met with greater success than in May last, and perhaps with more sternness and discipline than was used on that occasion.

His Honour Judge L. C. THOMAS, also responding, said he had always regarded the accountancy profession with awe. It had been said of a Lord Chancellor, who had flourished in the early nineteenth century, that if he had known a little about the law he would have known a little of everything. He had always felt, so far as accountants were concerned, that there was no limitation whatever to their knowledge. They were called upon to satisfy the income tax officials that their clients were really paying a great deal more in the way of income tax than they ought rightly to pay; they were called upon at a minute's notice to conduct a business of which the ordinary man would have no knowledge and they performed their multitudinous duties not only to the satisfaction of their clients but of the State as well. For himself he had never made any pretensions to any skill with figures, except for adding up a score at bridge on very rare occasions. He was rather like the self-made man who in addressing the children at his old school said: "Now, children, we know perfectly well that two and two make five. Why they make five we do not know, but we do know that they do make five." That was rather the feeling he had with regard to accountants, and towards all the intricate problems that accountants had to tackle. And that was really the reason of their success, and of their growing importance in the life of the State. In his official capacity he had had considerable experience of the skill of accountants. It was undoubtedly a great profession, and one of increasing importance. On behalf of himself and his fellow guests he wished the members of that great profession every possible success in the future. (Applause.)

CLAIM FOR ALLEGED MISREPRESENTATION.

An action was concluded last month in the King's Bench Division before Mr. Justice Horridge and a special jury in which the City Finance and Trading, Limited, of 5, Aldgate Avenue, London, E., a firm of financiers and registered moneylenders, claimed damages from Messrs. Maxtone, Graham and Sime, Chartered Accountants, of 21, Budge Row, London, E.C., for alleged fraudulent misrepresentation. The allegations were denied.

For the plaintiffs, Mr. Stuart Bevan, K.C., said that on May 13th last year the plaintiffs were approached by a Mr. Ernest William Tester, with a view to raising a loan on the security of 350 shares which he claimed to hold in the Equitable Trust Company of London. He did not, in fact, hold any shares in that company.

The defendants, who acted as secretary to the Equitable Trust Company of London, were approached by the plaintiffs to verify Mr. Tester's claim, and through the action of a clerk in the defendants' employ, who subsequently, it was alleged, absconded, plaintiffs were satisfied that Tester held the shares and made an advance of £1,000.

The clerk in question had told a representative of the plaintiff company that the 350 shares did stand in the name of Tester, and gave their distinctive numbers. Plaintiffs' solicitor asked for the share certificate, and was told by the clerk that he had not got it because the shares formed part of a larger block of shares. To verify this statement the solicitor sent an employee with a letter addressed to the secretary of the defendant company. He was handed a reply by a clerk to the effect that the certificates stood in the name of Tester. The reply also quoted the numbers of the shares, and stated that the certificate was being prepared and would be completed in about one month. Tester executed a transfer of the shares to the plaintiff company and went with plaintiffs' accountant to the defendant company to obtain a transfer, which was handed to them by the same clerk. It was admitted that the representations made were untrue, and Counsel maintained that the clerk was acting within the scope of his authority.

At this stage, on the advice of his Lordship, Counsel agreed to dispend with the services of the jury.

Evidence was given by Mr. Ernest Alfred Freeman, stock broker, of a similar case in which the same clerk in the defendants' employ had acted.

For the defence, Mr. Rayner Goddard, K.C., said the clerk had been brought into the firm at the age of 15, and was now only 22. He was quite one of the junior clerks in the office. His duty on receiving a letter would be to take it to one of his seniors, and he had no authority to write a letter or to sign a letter, except formal letters of acknowledgment, and to give receipts for transfers of shares. Tester had executed a transfer on the shares to the plaintiff company, and in return for the document the clerk issued a receipt on the usual printed form, but deleted the words, "subject to the same being in order." He had no authority at all to do this, or to sign such a letter as was sent in reply to the plaintiffs' inquiry.

Mr. T. M. Till, a partner in the defendant firm, said that the clerk had no authority whatever to deal with the letter concerning the shares. He, personally, had no knowledge of this letter. No trace of the letter could now be found. Until after June 16th he had no knowledge of the transfer.

Cross-examined, witness said the clerk had attended the annual meeting of the defendant company in 1926 to make up a quorum. There were only three present and something had to be done. He also attended the annual meeting in 1925 and 1924.

Mr. J. M. C. Lawson, Incorporated Accountant, and chief managing clerk to the defendant company, gave evidence that he was in the office at about 10.30 a.m. on May 19th, but did not see the plaintiffs' solicitor's clerk when he brought a letter about the shares.

Cross-examined, he said the clerk against whom frauds were alleged would have had authority to open the letter in absence of any superiors.

Re-examined: witness himself would not have answered the letter without authority.

In giving judgment for the defendants with costs, his Lordship said the whole question depended on whether the clerk in question was acting within the scope of his authority, and whether the defendants had held him out to do what he did. It was admitted that the clerk had authority to give a transfer receipt, but it did not seem to him that he had authority to give such a letter as that of May 19th. He was authorised to do all the routine business of the Equitable Trust Company of London. He was also authorised to give receipts to transfers, but had no express authority to give information in regard to the share register. There was nothing in the evidence to show that the clerk was held out to be a person entitled to do all that a secretary could do. He had authority to give this transfer receipt, but there was no false representation in that. He was quite certain that the transfer receipt did not represent anything that the plaintiffs relied on. What they did rely on was the letter. Judgment was entered as stated.

CONFERENCE OF REPRESENTATIVES OF DISTRICT SOCIETIES.

A Conference of Representatives of District Societies with Members of the Council was held in the Council Chamber, 50, Gresham Street, E.C., on Friday, May 20th, 1927. The President, Mr. Thomas Keens, occupied the Chair, and was supported by Mr. Henry Morgan, Vice-President, Mr. W. Claridge, M.A., J.P. (Bradford); Mr. E. T. Kerr (Birmingham); Mr. James Paterson (Greenock); Mr. Arthur E. Piggott (Manchester); Mr. Percy Toothill (Sheffield); Mr. R. T. Warwick (West Hartlepool); Mr. A. A. Garrett, B.A., B.Sc., Secretary, and Mr. J. R. W. Alexander, M.A., LL.B., Parliamentary Secretary. The following representatives of Branches, District and Students' Societies were present: Mr. W. Ashmole (Swansea and South-West Wales); Mr. R. Wilson Bartlett (South Wales and Monmouthshire); Mr. Norman Booth (Belfast); Mr. W. Norman Bubb (London); Mr. A. Chadwick (Manchester); Mr. T. W. Dresser (Leeds); Mr. Alexander Hannah (Liverpool); Mr. Frederick Holliday (Leeds); Mr. G. B. Lawson (Bradford); Mr. T. Harold Platts (Birmingham); Mr. H. Reynolds (Bradford); Mr. J. Telfer (Newcastle-on-Tyne); Mr. Percy H. Walker (South Wales and Monmouthshire); Mr. S. I. Wallis (Notts, Leicester and Derby); Mr. F. A. Webber (West of England); Mr. R. A. Wetherall (Swansea and South-West Wales); and Mr. F. Woolley, J.P. (South of England).

Apologies for non-attendance were received from Mr. W. Holman (London); Mr. J. Fearnhead (Chorley); Mr. T. O. Morgan (Swansea); and Mr. J. Wareing (Preston).

DISTRICT SOCIETY ORGANISATION.

The Conference considered a number of proposals in relation to District Society organisation, and a reference in regard thereto was made to the Council of the Society.

ACCOUNTANT OFFICERS, ROYAL AIR FORCE.

The President drew attention to vacancies which occurred from time to time for commissions as Accountant Officers, Royal Air Force. Candidates who submit applications to the Air Ministry are selected after interview and must present themselves for a competitive examination. The respective representatives stated they would co-operate in securing suitable candidates for these appointments.

At the close of the meeting a cordial vote of thanks was accorded to the President for his conduct in the Chair.

ACCOUNTANT'S CLAIM FOR CHARGES.

In the Mayor's and City of London Court, before Judge Shewell Cooper, a claim was made by Mr. F. P. Barnes, Incorporated Accountant, carrying on business as Pix & Barnes, 24, Coleman Street, London, E.C., against Mr. W. Darwen, Wendela, Woking, described as a philatelist, for £22 16s. 6d., for professional services. A sum of £13 and costs had been paid into Court by the defendant as sufficient to meet the plaintiff's claim. Mr. Darwen set up the contention that as the work done by the plaintiff for which he claimed to be remunerated had been ineffective through carelessness on the plaintiff's part he was not entitled to anything beyond one guinea due on another matter.

Mr. Barnes gave evidence to the effect that in October last year the defendant approached him and asked him to investigate the books of a business owned by Mr. Debbidge, of West Ham, a firewood merchant. As a result, fourteen hours principal's time and 24 hours of a clerk's time were occupied in that work. On October 20th the defendant, with a number of other gentlemen, called at plaintiff's offices and there was a discussion as to the means of raising capital in order to acquire the business referred to, and the matter was left in this way: that the plaintiff was to approach an acquaintance of his whom he thought would be ready to put up some money. That person was a Mr. Sutton, and witness disclosed the name to the defendant. In cross-examination, witness agreed that the defendant made it plain that he did not wish Mr. Sutton to be told the name or address of the business which it was proposed to acquire, and witness agreed. Subsequently, before the defendant had taken any active steps in the matter of the purchase it was discovered that Mr. Sutton had approached the owner separately and concluded the deal, thereby excluding Mr. Darwen. He (witness) at no time disclosed the name or address of the business to Mr. Sutton, but he believed he had mentioned that it was in the East Ham district. Further than that he had no knowledge how Mr. Sutton came to know the details.

Mr. Darwen, the defendant, giving evidence, said that it was his intention at first to put up all the money required to purchase the business, but as a result of the plaintiff's report, that the books were not kept in the conventional manner, he thought it best to reduce whatever risk there might be by only putting up part. It was for that reason that the suggestion with regard to bringing in Mr. Sutton was made. He impressed upon the plaintiff the necessity for not disclosing details until some concrete arrangement had been arrived at between all the parties concerned, and was of opinion that the plaintiff in some way must have given Mr. Sutton information which enabled him to forestall witness. In cross-examination, witness emphasised that he did not in any way charge the plaintiff with bad faith in the matter, but he could not say definitely in what way the information was imparted.

Mr. Charles A. Sutton, who bought the business, was called on subpoena on behalf of the defendant, and said he first heard of Mr. Debbidge's business being for sale through Mr. Barnes, who telephoned him as had been stated. The information given by Mr. Barnes at that time was very vague, but later witness called upon him to learn more of the matter, and asked Mr. Barnes to telephone defendant to see what was being done in the matter. Mr. Barnes thereupon rang up a gentleman named Gill, who was associated with the defendant, and witness remained in the room while the conversation took place. In the course of that conversation witness heard the name of Debbidge mentioned by Mr. Barnes, and after he concluded the interview with plaintiff witness looked up the telephone directory, found the name of Debbidge, firewood merchant, ascertained that the business was for sale, went down and completed the purchase.

It was submitted by counsel on behalf of the defendant, that the mention of the name of Debbidge by the plaintiff, in the presence of Mr. Sutton, was an act of carelessness which vitiated the value of the services for which he was now claiming payment, and that therefore the defendant should not be made to foot the bill.

Judge Shewell Cooper said he could not regard the occurrence detailed in the evidence of Mr. Sutton as a breach by the plaintiff of the instructions for secrecy given by the defendant. It so happened that Mr. Sutton

proved to be a man of considerable sagacity, although he (the Judge) could not say that he admired that gentleman's business morality. In view of the number of hours work put in by the plaintiff and his assistant he considered that the charges sued for were fair and reasonable, and he gave judgment for Mr. Barnes for £22 16s. 6d. with costs.

CLAIM AGAINST A LIQUIDATOR.

In the Mayor's and City of London Court, before Judge Shewell Cooper, Mr. H. N. Holder, 42, Finsbury Square, broker and valuer, sued Mr. P. M. Mordant, 115, Cannon Street, London, E.C., Chartered Accountant, for £25 damages, or, alternatively, money paid on behalf of the defendant.

The plaintiff, giving evidence, said that he was claiming against the defendant both personally and as liquidator of a company called H. Farman, Limited. He (witness) bought from the defendant 45 tons of cotton and woollen rags, 25 tons of which were lying at Saltpetre Wharf, a warehouse which belonged to Mr. Shapiro, and that gentleman, when applied to for delivery upon the delivery order supplied by the defendant, informed witness that £25 was due for storage charges, and that that sum would have to be paid before he would release the goods. As he (witness) had sold the goods for delivery on a certain date he had to pay the £25 to avoid breaking his contract with his customer. It was that sum which he now claimed. Nothing was said at the time he made his contract with the defendant as to the payment of such charges, the arrangement being that he was to have the whole stock of rags, together with some office furniture, for £35.

Counsel for the defendant made a submission to the Judge that in law the claim could not succeed as no case had been made out against the defendant personally, and any claim made in respect of what he did as liquidator should be made against the company, and not Mr. Mordant as liquidator. After argument, Judge Shewell Cooper held that the action was misconceived, and gave judgment for the defendant, with costs.

CORPORATION OF INSURANCE BROKERS.

In the report of the Council for the year ending December 31st, 1926, it is stated that this year the Corporation celebrates its 21st anniversary, and there can be no doubt that the enhanced position of the insurance broker in the public estimation is in no small measure due to the existence of the Corporation. Largely as a result of what the Corporation has been able to do, it is now generally realised that an Incorporated Insurance Broker, as a professional man, renders valuable services to his clients.

The Council are pleased to say that Mr. B. A. Glanvill, of Messrs. Glanvill, Enthoven & Co., London, has kindly consented to be nominated as President for the ensuing year, and they desire to take this opportunity of expressing their sense of the courtesy and ability with which Mr. E. Howard Wilkins has filled this office for the past two years. On his retirement he is willing to accept nomination as a Vice-President, in addition to the following, who have consented to be nominated for re-election:—Sir A. Ernest Bain, K.B.E., Mr. Henry L. Riseley, J.P., Mr. A. W. Bain, J.P., Mr. Walter Faber, Mr. Charles Willis, J.P., Mr. J. Woodrow Matthews, J.P., Mr. E. A. Notcutt, and Mr. A. H. Riseley, O.B.E., D.L. Mr. R. C. Burton Rowe has intimated his willingness again to be nominated as Treasurer.

The King has been graciously pleased to grant the Territorial Decoration to Captain Rupert N. Barnett, A.S.A.A., Glamorgan Heavy Brigade, Royal Artillery.

Correspondence.

"LIONS IN THE WAY."

To the Editors *Incorporated Accountants' Journal*.

SIRS,—The following might be of interest to your readers.

One of my articled clerks, a youth of eighteen years of age, apologised for being a little late in arriving at the office this morning. Living on a farm about seven miles out of town, he left home to motor cycle, as usual, to the office, but after proceeding about half a mile he ran into a troop of lions standing on the roadside. Hurriedly returning for a rifle, he went back and shot three of the lions and a magnificent lioness.

Thus are the trials of an articled clerk increased out here.

Yours faithfully,

Royal Exchange Building,
Nairobi, Kenya Colony.

A. HORNBY,
F.S.A.A.

Changes and Removals.

Mr. Walter Baird, Incorporated Accountant, has admitted into partnership Mr. Herbert Parsonage, Incorporated Accountant, who has been associated with him as his chief clerk for sixteen years. The practice will be carried on in future as Walter Baird & Co. at Blossoms Chambers, Foregate Street, Chester.

Mr. L. F. Elverstone, Incorporated Accountant, announces that he has commenced public practice at Atlas House, Belvoir Road, Coalville, near Leicester, and not at Post Office Buildings as previously stated.

Messrs. Franklin, Wild & Co., Chartered Accountants, Orient House, 42/45, New Broad Street, London, E.C.2, announce that as from March 31st, 1927, they have admitted into partnership Mr. Ross Hindle, A.C.A., Incorporated Accountant, who has been on their staff for many years. The title of the firm will remain unchanged.

Mr. Robert Fraser, Incorporated Accountant, has removed from 46, Gordon Street to Castle Chambers, 55, West Regent Street, Glasgow, C.2.

Mr. Robert Gair, Incorporated Accountant, has removed to Emerson Chambers, Blackett Street, Newcastle-on-Tyne.

Mr. John S. Gavin, Incorporated Accountant, has admitted into partnership his son, Mr. John S. Gavin (Junn.). The practice will in future be carried on under the style of John S. Gavin & Son, Incorporated Accountants, at 58, West Regent Street, Glasgow.

Messrs. H. Kingston & Co., Incorporated Accountants, have removed to Adelaide House, King William Street, London, E.C.4.

Mr. Francis E. Smith, Incorporated Accountant, has removed to 25, Richmond Terrace, Blackburn.

Mr. William Henry Stables, Incorporated Accountant, has commenced public practice at 22, Finkle Street, Kendal.

Messrs. Willett, Son & Garner, Incorporated Accountants, have removed to 1, Cooper Street, Manchester.

Messrs. Wood & Mair, Incorporated Accountants, announce that they have taken into partnership, as from March 1st last, Mr. C. T. Aylen (Junn.), Incorporated Accountant. The firm will practise in future as Wood, Mair & Co. at 5, Frederick Street, Sunderland.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Public Finance.

Sir Josiah Stamp was the guest of the Glasgow Chamber of Commerce on the 17th ult., when he delivered an important address on "National Economy and its relation to the Standard of Life." He dealt with the demand for public economy, and gave as his considered opinion that, on the whole, the public services were not costly. After listening to the evidence before the Colwyn Committee he had come to the conclusion that there was not so much scope for lower costs as was commonly supposed. In his view the standard of life would be more affected by national economy in any reduction of armaments than was politically possible than by any other change of equal monetary magnitude. In concluding, Sir Josiah said "What we have to do, particularly in Chambers of Commerce, is to lift the level of statistical and economic thinking beyond what it had been in the past." The luncheon was attended by a representative company, and numbered about 350.

The late Professor Shield Nicholson.

By the death of Professor Joseph Shield Nicholson, of Edinburgh, who died in that city on the 12th ult., one of the leading teachers of economics in this country has passed from us. Appointed to the Chair of Commercial and Political Economy and Mercantile Law in Edinburgh University in 1880, he held his professorship for the long period of 45 years. He was the son of the Rev. T. Nicholson, an Independent clergyman, and was born at Wrayby, Lincolnshire, on November 9th, 1850. He was educated at Edinburgh University, at Trinity College, Cambridge, and at Heidelberg, and had a brilliant career. He twice won the Cobden prize at Cambridge, and the Gerstenberg prize of London University. For a time he acted as a tutor at Cambridge before being appointed to the Chair of Political Economy in Edinburgh. When, 46 years later, he received the honorary degree of LL.D. from Edinburgh University, his long connection with the University was recalled. His book on the Principles of Political Economy was for long one of the text books of accountancy students in Scotland. The clarity and authority with which Dr. Shield Nicholson was able to handle abstruse economic questions, especially during the war and post war period when important decisions had to be made in regard to currency and other subjects, gave an exceptional value to his contributions to the Press at that time.

Farmers' Book-keeping—Bankruptcy Act.

Farmers in the past have not been conspicuous for their records, and book-keeping to the average farmer is not a subject on which he would be enthusiastic. A farmer, however, in Fifeshire has been tried before the Sheriff and, according to the Press, sent to prison for two months for a contravention of the Bankruptcy (Scotland) Act, 1913, in failing to keep such books or accounts as were necessary to explain his transactions during the three years prior to his bankruptcy. After a long trial, the Sheriff said that the bankrupt had within a twelvemonth failed, with liabilities of £5,000 and assets of £400. Where had the money gone? Was it necessary to say that suspicions were aroused as to what became of that money? The conclusion he (the Sheriff) had arrived at was that under the circumstances the accused had not discharged the burden which lay upon him to show that that failure to keep proper books and accounts was done without intent to defraud. He, therefore, convicted accused under the statute.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B.:

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J.,

Solicitors' Journal; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

AUDITORS.

R. v. Grain.

Surcharge by District Auditor.

The Local Government Board issued circulars to boards of guardians authorising and recommending the payment of certain gratuities to registrars of births and deaths to meet the hardships caused by the diminution of their fees and the increased cost of living. By sect. 3 of the Local Authorities (Expenses) Act, 1887, "Expenses paid by any local authority whose accounts are subject to audit by a district auditor shall not be disallowed by that auditor if they have been sanctioned by the Local Government Board."

The Court of Appeal held that gratuities paid by a board of guardians to a registrar in accordance with the terms of the circulars issued by the Local Government Board were part of the emoluments of the registrar, and should be considered in assessing the amount of the superannuation allowance payable to him on his retirement, and therefore the district auditor could not disallow such superannuation allowance nor surcharge the guardians in respect thereof by reason of the fact that the gratuity paid by the guardians had been taken into account as part of the registrar's emoluments on which the superannuation allowance was based.

(C.A.; (1927) 71 S.J., 308.)

INSOLVENCY.

In re Gough.

Disclaimer.

The Divisional Court held that where a bankrupt had before his bankruptcy entered into a contract for the purchase of land, and into contracts for the sale of plots and the erection of houses thereon, and the sub-contracts had been disclaimed by the trustee in bankruptcy, such disclaimer was not void, but the sub-purchaser was entitled to a conveyance of the plots on payment of the amount payable by the trustee in respect thereof to the original vendor.

(K.B.; (1927) L.J.N., 426.)

EXECUTORSHIP LAW, AND TRUSTS.

Williams v. Barton.

Making a Profit out of Trusteeship.

A trustee of a will who was employed by a firm of stock-brokers on commission for work introduced by him, employed such firm to value his testator's estate and paid the firm's fees out of the testator's estate, receiving back part thereof as commission.

Russell (J.), held that such commission was a profit acquired solely by his use of his position as trustee, and must be accounted for to the trust.

(Ch.; (1927) S.J., 370.)

REVENUE.

Clare & Heyworth v. Betts.

Ascertainment of Average Profits.

The House of Lords reversed the decision of the Court of Appeal (reported in *Incorporated Accountants' Journal*, July, 1926, p. 380), and held that in the Income Tax Act, 1918, Schedule D, Cases 1 and 2, Rule 1, the period for which the average is required is one year, and the period over which the accounts are to be taken for the purpose of calculating the average is a period from the commencement of the business to the commencement of the year of assessment.

(H.L.; (1927) L.J.N., 426.)